Austria	Sch22	Indonesia	Rp3100	Philippines	Peso40
Bahrain	Din0.650	Iran	Rls160	Portugal	Esc120
Belgium	BFr48	Israel	NIS3.50	S.Arabia	Rls7.00
Canada	C$1.00	Italy	L1700	Singapore	S$4.10
Cyprus	C£0.90	Japan	Y500	Spain	Pta145
Denmark	DKr10.00	Jordan	Fils500	Sri Lanka	Rup30
Egypt	E£2.25	Kuwait	Fils500	Sweden	SKr9.00
Finland	Fmk7.00	Lebanon	£1,250.00	Switz	SFr2.30
France	FFr7.00	Lux	LFr48	Taiwan	NT$65
Germany	DM2.30	Malaysia	Rm4.25	Thailand	Bt50
Greece	Dr120	Mexico	Pe300	Tunisia	Din0.800
Hong Kong	HK$12	Morocco	Dh6.00	Turkey	L400
Iceland	Kr125	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr10.00	USA	$1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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MIDDLE EAST
The perils of being stateless
Page 23

Bush appoints Darman to key budget post

By Stewart Fleming in Washington

US president-elect George Bush took another major step in the formation of his Cabinet yesterday, announcing three appointments – including the selection of Mr Richard Darman, the 45-year-old former Deputy Secretary of the Treasury, for the key role of Director of the Office of Managment and Budget.

During the first seven years of the Reagan Administration, first in the White House and then at the Treasury, Mr Darman worked with Mr James Baker, the former White House Chief of Staff and Treasury Secretary, who Mr Bush named to be his Secretary of State.

The appointments mean that the major area in which Mr Bush still has to announce Cabinet level appointments is national security. In addition to Mr Baker's nomination as Secretary of State, Mr Bush must name a Defence Secretary, a National Security Adviser and a head of the Central Intelligence Agency. There is speculation about who will get the Defence Secretary's job, which at one time seemed likely to go to former Senator John Tower.

With the financial markets still nervous after Mr Bush's election pledge not to impose new taxes to tackle the Federal budget deficit, Mr Bush yesterday used the opportunity of a press conference to announce his new appointments to underscore his committment to tackling the $150bn deficit.

"I stated that cutting the size of the Federal deficit is a top priority.. let me re-emphasise that point today. Dick as the second key member of my economic team which I have announced will play a central role in that important effort."

Mr Bush said he would not change his view on getting the deficit down, saying that he was not aware that any Republicans or Democrats had run on a "please raise my taxes programme."

Mr Darman, in a brief statement on the deficit, made no mention of President Reagan's top priority, building America's military strength, bnt stressed the need to use fiscal policy to help improve the performance of the US economy.

"In reducing the deficit we must have an eye towards some of the underlying problems, so that the way in whicb we reduce the deficit is consistent with our longer-term interest in raising our savings rate, increasing investment, increasing productivity and assuring that our economic growtb continues," be said.

Questioned about priorities, he hinted that so-called "entitlement" programmes, apart

Daunting task, Page 7
Continued on Page 24

Richard Darman: Central role in reducing the budget deficit

Estonia denounced for attacking 'very basis' of the Soviet Union

By Quentin Peel in Moscow

THE REBELLIOUS Soviet republic of Estonia, which has spearheaded a revolt by the Baltic region against Mr Mikhail Gorbachev's planned changes to the Soviet constitution, has been resoundingly reprimanded for making demands which could 'undermine the very basis of the existence of the USSR.'

The denunciation came from the constitutional commission of the Supreme Soviet in Moscow, the national parliament, which is preparing the reforms for approval next week. They will provide the basis for a new super-parliament, the Congress of People's Deputies, and the new job of executive president, which Mr Gorbachev is expected to assume.

However, at the same time, the commission appears to be making some conciliatory gestures, by drafting more than 40 amendments to the proposals to remove some of the elements most criticised by the increasingly independently minded Baltic republics.

The Soviet authorities seem determined to force through the constitutional changes, in spite of growing criticism of their hasty drafting in the wake of the extraordinary Communist Party conference last summer. They will enable elections to be held next spring for the new Congress.

Leading intellectuals, including Dr Andrei Sakharov, the Nobel Prize-winning nuclear physicist, have accused Mr Gorbachev of seeking to introduce more democracy in an undemocratic manner. They have also questioned the sweeping powers he will have in the joint roles of executive president and leader of the Communist Party.

The new attack on Estonia, whose own Supreme Soviet last week rejected the planned reforms, and amended its local constitution to give it a right to veto future Soviet legislation in its territory, was published in the Communist Party newspaper, Pravda.

At the same time, the Baltic republic was condemned by the praesidium of the Supreme Soviet of the Russian Federation – by far the largest constituent republic of the Union – for "contradicting the basic principles of socialist federalism endorsed in the USSR constitution."

Pravda reported that the constitutional commission chaired by Mr Georgy Razumovsky, candidate member of the ruling Politburo, had passed a draft decree for the Supreme Soviet declaring the Estonian moves unconstitutional. If other republics followed, the deputies were told, "the very basis of the principles of the existence of the USSR would be undermined."

The commission denounced the Estonian parliament's attempt to give itself a constitutional veto on Soviet legislation, and another move to declare its "exclusive ownership" of all the natural resources of the republic. The latter contradicted Article 11 of the national constitution, declaring such resources "the property of the whole Soviet people."

Moscow's hard line appears to have frightened off wholehearted support for Estonia from neighbouring Latvia and Lithuania, although almost half the 7.5m population of the three republics have signed petitions denouncing the constitutional changes.

The Lithuanian Supreme Soviet last week simply called for the reforms to be put off for further debate on the powers of the new Congress, and stopped short of amending its own constitution to match Estonia. There was a token demonstration of protest in Vilnius.

The Latvian parliament is meeting today, amid calls by the Latvian Popular Front, a mass reform movement, for a similar "declaration of sovereignty" to Estonia, but supporters of the movement expressed doubt that it would be passed intact.

The Soviet leadership does appear to have gone some way to easing the crisis by drafting amendments to the constitutional reforms.

They would no longer give the new Congress the "exclusive power" to repeal acts by republics deemed to be contrary to the Soviet constitution, nor for the "ratification of the formation of new autonomous republics and autonomous regions within the union republics," two provisions which had been attacked.

The constitution will also no longer include specific numbers of deputies to be elected by "social organisations," such as the Communist Party trade unions, youth league, creative unions and the league. Such numbers – amounting to a total of 750 in the 2,250-member assembly – will now simply be written into the law, not the constitution.

Gorbachev in India, Page 4

Iraqi leader puts his eldest son on trial for murder

By Michael Field in Amman and Andrew Gowers in London

PRESIDENT Saddam Hussein of Iraq yesterday ordered the trial of his eldest son on charges of murdering a presidential aide, exposing a potentially serious rift within the country's leadership.

In a public message to his justice minister, Mr Hussein accused his son Uday, 24, of having killed Mr Kamel Hanna Jajjo, a long-serving colleague of the President, on October 18.

Uday is alleged to have hit Mr Jajjo on the head with a stick during an argument on a tourist island in the Tigris river.

He was jailed three days later and had tried to commit suicide three times since.

The revelation seemed likely to cause a sensation in what is one of the most tightly controlled Middle Eastern societies.

Although the ordering of a murder trial underlines the Iraqi President's ruthlessness in dealing with misbehaviour, even by his closest associates, the incident constitutes a serious blow to the President's prestige at a time of difficult adjustment after the ceasefire in the Gulf war.

During the eight-year war with Iran, the Iraqi President built up a fearsome personality cult, portraying himself as the symbol of the country in a struggle for survival.

It had been widely assumed that Mr Hussein, who is in his early 50s, was beginning to groom Uday as a possible successor.

Continued on Page 24

Pechiney to buy ANC and build French smelter

By Paul Betts in Paris and James Buchan in New York

PECHINEY, the French state-owned aluminium group, is to buy American National Can (ANC), one of the world's leading consumers of aluminium, and build a FFr4.5bn ($762m) aluminium smelter complex in the industrially depressed region of Dunkirk in northern France.

The two deals are designed to consolidate Pechiney's position as the world's third largest aluminium group and transform it into the world's leading packaging company with annual sales of FFr30bn in the packaging sector alone.

Yesterday's announcements come less than a month after Britain's MB Group (formerly Metal Box) and Carnaud, the leading French metal packaging company, announced the proposed merger of their packaging interests. Pechiney confirmed yesterday that it had earlier tried to negotiate a merger with Carnaud.

The ANC purchase, which is valued at just under $4bn, will give Pechiney control of ANC, which has sales of about $4bn, operating profits estimated at more than $300m and nearly 30 per cent of the US metal container market.

Pechiney is acquiring for $1.26bn all outstanding shares of Triangle Industries of the US. This is 66.3 per cent controlled by Mr Nelson Peltz and Mr Peter May, two American businessmen, and controls ANC. Pechiney is also assuming about $2.5bn in debt.

Triangle, which in 1984 was a down-at-heel maker of wire and cable products and vending machines, has been transformed under Mr Peltz and Mr May, its chairman and president, in a breathtaking series of highly leveraged acquisitions in packaging.

The acquisitions, masterminded by Mr Michael Milken, the master "junk bond" financier, gave Triangle control of National Can for $465m in 1985 and the packaging arm of American Can for some $600m a year later. In the wake of the stock-market crash last year, Mr Peltz and Mr May bought out most of its common public stockholders in a leveraged buy-out.

According to Triangle officials, Pechiney will pay $56 a share or around $84m to the company's remaining common stockholders, $367m to the holders of preferred stock issued in the course of the acquisition spree and $826m in securities to redeem a special preferred stock held by Mr Peltz and Mr May.

In addition, Pechiney is offering to redeem all of the $1.5bn in junk bonds issued by Triangle.

The deal will boost Pechiney's overall sales from FFr50bn this year. To help Pechiney finance the transaction, the French Government has agreed to allow the group to float 25 per cent of a new subsidiary.

Pechiney said yesterday it was particularly attracted to ANC because the US company is the world's largest single consumer of aluminium with annual consumption of about 600,000 tonnes. The US company also accounts for about 25 per cent of the world market for beverage cans.

The French group's decision to build a new smelter in Dunkirk with a capacity of 200,000 tonnes a year also marks its return to France.

Lex, Page 24; France's Cinderella has a ball, Page 28

Milosevic calls for arrests as tensions mount in Yugoslavia

By Judy Dempsey in Pristina, Yugoslavia

ETHNIC tensions mounted in Yugoslavia yesterday as protesters took to the streets in two parts of the country and Mr Slobodan Milosevic, Serbian party chief, called for the jailing of those leading the unrest among ethnic Albanians.

In Pristina, capital of the southern province of Kosovo, about 7,000 people mounted the fifth demonstration in as many days by members of majority Albanian community.

The Albanian protesters are resisting efforts by Mr Milosevic to secure greater Serbian control over Kosovo, a province which currently enjoys widespread autonomy within the Serbian republic.

During a conference of the Serbian party, Mr Milosevic said: "Those really responsible for genocide and terror in Kosovo shonld go to jail... Mostly children have paid the price and not those who led the counter-revolution."

He said those who had been jailed had been the "victims of indoctrination [who] should be allowed to go to their mothers and fathers as soon as possible."

Elsewhere, about 15,000 people staged a street demonstration in the northern republic of Slovenia against planned constitutional changes, strongly backed by Serbia, which would make Yugoslavia a more centralised state.

Ethnic Albanians in Kosovo yesterday bitterly criticised the statement by Mr Milosevic and stressed their loyalty to Yugoslavia, rejecting suggestions that their movement intended to secede from the country.

The late Marshal Tito, who has become a symbol for the young Albanians, created the autonomous province of Kosovo in 1974 as a means of containing the political influence of Serbia. Mr Milosevic now wants to amend that constitution, giving Serbians more say in running the province.

So far, the Kosovo leadership has not issued any statements on the demonstrations, suggesting growing uncertainty about how to respond to the developments which have taken all six Yugoslav republics by surprise.

The last time ethnic Albanians took to the streets in mass protest was in 1981, in pursuit of demands that Kosovo be granted the status of a republic. Constitutionally that would have given them the right to secede from the Yugoslav Federation, but the protests were brutally crushed and several thousand were jailed.

In contrast to 1981, however, ethnic Albanians involved in the latest upsurge have repeatedly stressed their loyalty to Yugoslavia, to the Communist Party, and their adherence to Tito's maxim of equality among nations.

World News

Bhutto rivals refuse to accept female PM

Islamic Democratic Alliance, Pakistan's second largest political party which is vying with Ms Benazir Bhutto's Pakistan People's Party to form the country's next government, said it would not accept a woman as Prime Minister. Page 24

Election high for C$

The Canadian dollar soared to a seven-year high in anticipation of a conclusive victory by the ruling Conservatives in the Canadian general election today over their Liberal rivals. Page 7

EC hails PNC

EC foreign ministers hailed the Palestine National Council's acceptance of United Nations resolutions 242 and 338 as the basis for an international conference and progress towards peace. Page 3

Onassis verdict

Christina Onassis, daughter of the late shipping magnate Aristotle Onassis, died of a pulmonary oedema, a lung disorder, said an Argentine judge. *Onassis, 37, died on Saturday at the home of a friend in Buenos Aires.*

Nato arms warning

Manfred Wörner Nato Secretary General warned that as East-West relations improve the West cannot afford to ignore the Soviet Union's military might and must maintain adequate defences. Page 2

Chun to quit Seoul

Former South Korean president Chun Doo Hwan will go on television on Wednesday to announce he is leaving Seoul to calm public anger over his alleged misrule which has prompted riots and protests.

Peres to sign pact

Mr Shimon Peres, the Israeli Labour Alignment leader, was expected to announce the breaking-off of coalition negotiations with the right-wing Likud party. Page 4

Brazil oil peace

A crippling strike at Petrobras, Brazil's state-owned oil monopoly, appeared to be coming to an end as workers' leaders accepted a compromise pay deal. Page 7

Tamils win seats

The Sri Lankan minority Tamil and Moslem candidates both scored heavily at the expense of the central government party's candidates in the first elections for a new assembly. Page 4

N Ireland death

One policeman was killed and another injured in the UK province of Northern Ireland when gunmen opened fire at a checkpoint in County Tyrone on the border with the Irish Republic.

Rainbow mediator

A UN mediator has been appointed to try to settle a row between France and New Zealand over the fate of two French secret agents convicted of taking part in the 1985 bombing of the Greenpeace ship Rainbow Warrior.

Record pools win

One of three anonymous winners of a record L1.13bn ($10m) pools win in Italy is thought to be a street pedlar from Senegal who bought his ticket in a Sardinian bar for the price of a cup of coffee.

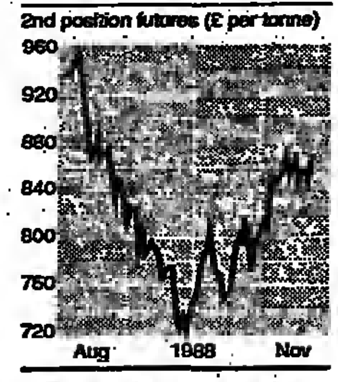
Business Summary

NZI forced into $115m losses over poor loans

NZI Corporation, New Zealand-based insurance and banking group, is to report a half-yearly loss of NZ$180m ($115m) due to doubtful loans in Australia, only four months after the group became a 51 per cent subsidiary of General Accident, the UK-based composite insurer, which now faces the task of rebuilding *the balance sheet*. Page 25

COCOA prices advanced strongly yesterday, with the March contract closing £20

Cocoa
2nd position futures (£ per tonne)



($35) up at £871 a tonne after reaching £874 earlier. Trade selling took the gloss off prices. Page 44

BERND OTTO, chairman of the Co op retail group of West Germany, offered to resign after strong criticism of its high indebtedness, complicated structure, and confused ownership. Page 25

LYONNAISE des Eaux, one of the three largest French water companies, announced agreed offers for two more UK water companies. Page 25

SHUI ON Group, Hong Kong property, hotels and leisure group controlled by the Lo family, has sold the Shui On centre office building for HK$2.5bn ($320m) setting a new record for property prices in the booming Hong Kong island area. Page 27

WALKER Greenbank, industrial miniconglomerate, removed Mr Alan Carr, one of its directors, from all executive and operational duties following the discovery of alleged accounting irregularities at the group's Alkar International shopfitting subsidiary. Page 29

KIDDER PEABODY, Wall Street investment bank controlled by General Electric, has been selected by the Israeli Government to oversee the privatisation of the country's oil refineries. Page 26

NEWMONT GOLD boosted capital spending to $303m this year, more than three times the level for 1987, becoming the biggest US gold producer. Page 26

UK Government's offer to provide $61m in aid to support construction of a third bridge across the Bosporus lapsed because of the Turkish authorities' failure to award a contract for the deal. Page 8

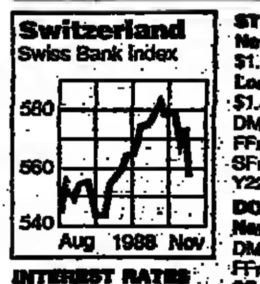
BANCA Commerciale Italiana Italy's second biggest bank, and Paribas, the privatised French investment banking group, have at last received the green light from the Italian banking authorities for the creation of a new Milan-based merchant bank. Page 28

PHARMACIA, Swedish pharmaceuticals and biotechnology group, is planning a $50m cash bid for outstanding shares in Electro-Nucleonics, US biomedical company in which it already has a 20 per cent stake. Page 28

NIPPON LIGHT Metal, half-owned by Alcan of Canada, Japan's biggest aluminium producer, more than doubled pre-tax profits in the six months to September as world shortages of the metal pushed up prices. Page 27

MARKETS

Switzerland
Swiss Bank Index



INTEREST RATES
US lunchtime
Federal Funds $8\frac{1}{16}$% ($8\frac{1}{4}$)
3-mth Treasury Bills: yield: 8.24% (8.2)
Long Bond: $98\frac{7}{8}$ ($99\frac{7}{8}$)
yield: 9.1% (9.13)
London
3-month Interbank: close $12\frac{3}{32}$% ($12\frac{1}{16}$)

STERLING
New York
$1.8235 (1.8155)
London:
$1.8245 (1.8165)
DM3.15 (3.1525)
FFr10.7725 (same)
SFr2.65 (2.6475)
Y222.5 (222.75)

DOLLAR
New York
DM1.728 (1.7375)
FFr5.908 (5.939)
SFr1.45525 (1.46)
Y121.925 (122.6)
London:
DM1.727 (1.735)
FFr5.905 (5.93)
SFr1.4525 (1.457)
Y121.9 (122.55)

GOLD
New York latest
Comex Dec
$418.5 (-1.6)

STOCK INDICES
New York
Dow Jones Ind. Av.
2,065.97 (+3.56)
S&P Comp
266.2 (-0.27)
London:
FT-SE 100
1,811.1 (-12.3)
World:
136.05 (Fri)
Tokyo
Nikkei Ave
29,284.26 (+104.06)
Frankfurt
Commerzbank
1,801.1 (+8.8)

OIL
Brent 15-day (Argus)
$12.15 (+9cts) (Dec)
West Tex Crude
$13.125 (+4cts) (Jan)

CONTENTS

Nato warned not to lower its guard on the Soviet Union

Manfred Wörner, Secretary-General of Nato, has warned that Western allies face difficulties in explaining the nature of the Soviet threat in today's era of rapprochement and Mr Gorbachev's public relations successes
Page 2

Spanish newspapers prepare to enter the fray

Peter Bruce reports on a new optimism about a growing appetite for the press among Spanish readers

MR Jose Maria Bergareche was close to pulling off one of the sweetest deals in Spanish newspaper publishing history recently when it almost came unstuck. Some of his shareholders had offered 16 per cent of the modest Basque newspaper group he co-manages to the British publishing magnate, Mr Robert Maxwell.

"We told him (Maxwell) that we didn't want a new partner and we don't need money at the moment," he says, the result being a very welcome letter in late October from Mr Maxwell assuring him the offer had been turned down. Mr Bergareche's deal had gone through meanwhile, making Bilbao Editorial the biggest regional daily newspaper publisher in Spain and the nation's second biggest overall after El Pais. In pulling it off, he may have triggered a long-awaited realignment of control in Spain's fractured but hotly contested newspaper market.

As the heart of Europe's newest publishing empire, the headquarters of Mr Bergareche's group is an unlikely, modest building that huddles in an industrial part of Bilbao. It also houses the group's 75-year-old flagship, El Correo Espanol, which sells 125,000 copies a day around Bilbao. Bilbao Editorial also controls the San Sebastian daily El Diario Vasco and El Diario Montana in Santander.

The group is ultimately owned by the Ybarra family, wealthy Basque conservatives, some of whom tried unsuccessfully to tempt Mr Maxwell. The Bergareches, led by Jose Marie's father Luis, manage the group and hold 15 per cent of the equity.

Jose Maria's deal involved buying three profitable dailies in October "for a very good price" from Editorial Catolica (Edica), a publisher ultimately owned by the Catholic Church. Despite a Pta 40m (£192,000) gift from the Vatican a few years ago, Edica had been struggling because of the huge losses it was having to finance at its national daily paper, Ya.

Spain's main employers' organisation, the CEOE, had taken over management at Edica and tried to sell it to the French publisher Mr Robert Hersant, but the church apparently considered him unsuitable. A Canaries publisher, the Moll group, also tried hard but it was finally Bilbao Editorial that persuaded Edica to sell it the three regionals — La Verdad in Murcia, Hoy in Barcelona and El Ideal in Granada — and to hand over Ya to a company "doctor" to try to reverse its annual Pta 1.2bn losses.

The purchases give the Basques control of newspapers selling some 323,000 copies a day, a large number by Spanish standards, in addition to the 22 per cent they own in the sporting newspaper Marca, which sells 150,000 copies a day and to their 8 per cent in the business daily Expansion which sells around 27,000 copies.

Free of Ya, Mr Bergareche believes there are great possibilities for his expanded group. Its papers will be able to share advertising, reporters and databases. "We want to be able to compete with the nationals," he says.

The curious structure of the Spanish newspaper market makes this quite feasible and it is probable that foreign publishers like Mr Maxwell and Mr Hersant (who already owns a newspaper in Santander) will be back for more. The Financial Times has just taken a 35 per cent stake in Expansion, and Dow Jones, publishers of the Wall Street Journal, recently bought an interest in its rival, Cinco Dias. Two other local groups are planning to launch business newspapers next year.

The key to much of this optimism is that only 8 per cent of Spaniards actually buy a newspaper every day. By comparison, 41 per cent of Britons, 24 per cent of the French and 35 per cent of West Germans buy a daily paper.

The figures are mitigated somewhat by the fact that Spain does not have the brand of tabloid press that pushes UK readership so high. But the room for readership and advertising growth is nevertheless spectacular and the nationals do not command the field.

Although many newspaper publishers, like El Pais, are very profitable, the industry is highly segmented, overstaffed and undercapitalised.

Low readership aside, Spain boasts 108 daily newspapers, the third highest number in the EC after Greece and West Germany. Ya, admittedly an extreme case, was selling 140,500 copies a day 10 years ago and manages just 79,000 today with a staff of over 800. Some 500 have just been given notice.

Part of the problem lies in the enthusiasm with which the Spanish flung themselves into liberal journalism after Franco died. More than 50 per cent of Spanish newspaper personnel joined the industry after 1976. The bigger newspapers are highly politicised, partisan and fervent but have not made a good job of attracting new and potential literates.

"Spanish newspapers are not very interesting," says Mr Bergareche. "We have a lot to do. The problem lies with the quality of journalism, management and technology." Although a number of publishers, soon to be joined by Bilbao Editorial, fund journalism schools, much Spanish reporting, though colourful, can sometimes seem hurried and speculative.

The stakes, in financial terms, are high. Despite the small readership, newspaper advertising leads the market and accounted for Pta 105bn in 1986, double its revenue in 1983. Television attracted Pta 100bn in 1986 and the advent of private television in the next few years promises to sharpen radically the battle for advertising revenue.

Within the daily newspaper market itself, the inevitable scramble between regional and national empires for advertising will probably be even more bloody and could well be the opening for predatory foreigners as local newspapers begin to look for new funds.

Nato chiefs warn on Soviet public relations success

By Peter Wise in Estoril

NATO CHIEFS yesterday urged the Western Alliance to spend more effort and money on promoting its policies to redress the balance against the public relations successes of Mr Mikhail Gorbachev, the Soviet leader.

Mr Manfred Wörner, Nato Secretary-General, addressing a meeting in Portugal of the Atlantic Treaty Organisation, a non-governmental body devoted to promoting Nato in the 16 member-countries, said the Western allies faced difficulties in explaining the nature of the Soviet threat in today's era of rapprochement.

Manfred Wörner: 'Nato should not lower its guard'

"Too easily we focus on intentions and ignore the capabilities. But intentions are notoriously difficult to judge," he said. "Our difficulty today is a tendency to believe that the Soviets' intentions are no longer hostile and therefore to discount the very real Soviet military capabilities."

General John Galvin, Supreme Allied Commander in Europe, said Mr Gorbachev's arms policies had lowered the level of world tension and public opinion in the West was reacting with something akin to the "Stockholm syndrome," when released hostages feel supportive towards their former captors.

He said that improving Nato's image at home called for more spending and greater effort on communicating the Alliance's policies.

Mr Wörner said the two main tasks now facing Nato were to shape a more meaningful and constructive East-West relationship based more on political trust and less on military power and to adjust the Nato Alliance to the requirements of the next decade.

But he added: "We will never be able to exploit new opportunities and to use change to our own advantage if we do not enjoy the support of our publics".

Mr Wörner said Nato needed to explain to public opinion that, despite greater East-West co-operation, Nato countries should not lower their guard and re-allocate defence resources to other pressing needs until the Soviets change their forces from an offensive to a defensive posture.

He added: "Efforts aimed at keeping our conventional and nuclear forces up to date are not synonymous with a force build-up. If properly realised, they could even facilitate reductions and the establishment of balance at lower force levels."

Brussels aims to boost small business loans

By William Dawkins in Brussels

THE European Commission wants to enlarge and make permanent a popular EC-backed small business loan scheme.

The Brussels authorities are proposing to set up a revolving fund of almost Ecu 6bn (£3.9bn) to lend to small businesses, in a big change to the present way it disburses such lending in renewable tranches.

Under the 10-year-old New Community Instrument (NCI), the EC uses its credit rating to borrow on the world capital markets at the finest terms and then on-lends cheaply, usually at 2 to 3 per cent below market rates, to small businesses.

Member states will be asked to give their go-ahead at a meeting of finance ministers on December 12.

EC member governments have preferred to keep strict control on the way the Commission hands out NCI lending. The latest NCI tranche, of Ecu 1.5bn, is due to run out soon, having benefited 5,000 small businesses across Europe since being ratified last year.

The new arrangement would authorise the Commission to borrow and lend in line with existing NCI loan repayments and liabilities up to a top limit of nearly Ecu 6bn. That is the same as the amount of existing NCI loans now awaiting repayment.

The change means the Commission would be borrowing between Ecu 500m and Ecu 1bn annually for the purpose, establishing a regular presence on world capital markets that officials say should help Brussels get finer rates than is possible under the present piecemeal approach. NCI lending is managed by the Luxembourg-based European Investment Bank, which usually channels the cash through financial intermediaries in the different member states.

EC ministers agree structural fund rules

By David Buchan in Brussels

EUROPEAN Community ministers yesterday gave their blessing to new rules on Community structural funds which are nearly to double in volume over the next four years.

Ministerial approval, which has still to be ratified by the European Parliament, came after the UK obtained satisfaction that it would not have to make increased matching payments out of its own Exchequer for all the money it might get out of the EC regional and social funds.

UK receipts from the structural funds are expected to rise from £750m to £1bn a year and the UK will have to make some matching payment, although not as much as British ministers had feared.

Sir Geoffrey Howe, the Foreign Secretary, said he was satisfied that the rules were consistent "with our overall public spending control procedures".

The UK government's fear was that tighter "additionality" requirements, designed by the European Commission to ensure that states did not simply cut back budgets by whatever structural aid they received from Brussels, would punch a hole in its vaunted financial disciplines.

The new rules for states to match EC payments with additional money of their own only apply to the cumulative Ecu 13bn (£9bn) increase over 1989-92. Thus, the new tighter rules will not apply to the current Ecu 7.8bn-a-year level of structural fund spending.

Re-vamping of the regional, social and agricultural guidance funds is due to come into effect on January 1, provided the EC Parliament approves it next month. Though most of the money is destined for poorer member states of the south, some areas of industrialised countries will benefit.

Basle group lifts growth forecast for Europe

By John Wicks in Zurich

WESTERN European gross domestic product should grow in real terms at an average annual rate of 2.6 per cent between 1987 and 1997, according to the Basle Business Cycle research group (BAK).

A report issued by the BAK's international industry forecasting service claims that at the same time the US economy should show a real growth rate of about 2.5 per cent and that of Japan one of 3.6 per cent.

The report claims that medium-term growth prospects within Western Europe, the US and Japan have improved as a consequence of the "positive perception of the internal market programme of the EC, as well as more competitive behaviour of the European business community".

Upgrading earlier estimates for Western Europe, the report says it expects production of the area's capital-goods industries to increase at an annual rate of some 3.5 per cent between 1987 and 1997, or by nearly a full per cent more than GDP as a whole.

FINANCIAL TIMES

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Soviet Union announces radical shift on housing

By John Lloyd in Moscow

SOVIET homes are to become bigger, less box-like, low instead of high-rise, and more comfortable. Many will also be constructed on a build-it-yourself basis.

Mr Yury Batalin, the Housing Construction Minister, yesterday announced this radical shift in Soviet housing styles and priorities. By 1995, 66 per cent of all new homes would be built by co-operatives or by the heads of the households who would occupy them, aided by construction enterprises, he said.

The proportion of new housing self-built or co-operatively-built is only 20 per cent. Mr Batalin said that the target set earlier this year of 36m-38m new homes by 2000 had since been revised upwards to 40m-42m. Large sectors of the defence industry had, he said, been switched to making housing materials and within the next seven years 40 per cent of all plumbing materials will be made by the defence sector.

Typical Soviet 20-plus storey blocks would be replaced by low-rise two, three or four storey appartments to create a more "neighbourly atmosphere." While the architectural styles and decorations will be less standardised, in part a function of increasing co-operative and individual building, the floorspace of flats would increase to 57 square metres in cities and 100 square metres in the country. He rejected any suggestion that other, non-housing construction would be cut back.

Soviet housing, overwhelmingly appartments in vast blocks, small by most Western standards, has long been a target for criticism. Waiting lists in most cities are long and – as Mr Batalin admitted – small flats often hold two or even more families.

The burden of Mr Batalin's pitch was that the housing problem could be solved by essentially market and individual mechanisms, especially by the novel idea of getting men desperate for a family home to construct it with their own hands. However, he also admitted that bottlenecks in supply of materials, poor quality and overcrowding were still endemic to the housing scene.

Mr Natsultan Nazarbaev, Chairman of the Council of Ministers (prime minister) of the repnblic of Kazakhstan, was produced as an example of success in the housebuilding field. He said that the republic had greatly increased the credits given to house-building, including a credit of 120m roubles to co-operative and individual building last year. This sector, which accounted for only 8 per cent of building in 1985, would increase to account for 25 per cent in 1989.

Mr Batalin said that the poor quality of Soviet housing was "among the most acute issues," and that the state quality control organisation now covered between 60 and 80 per cent of all construction projects and would cover all in the next three to four years. He welcomed the suggestion that tenants should form informal associations to press for higher standards and more comfort.

Fugitive banker traced to Brazil

By Andriana Ierodiaconou and Ivo Dawnay

FUGITIVE Greek banker and press baron Mr George Koskotas, central figure in a political and financial scandal that has rocked Greece's Socialist Government, has been traced to Brazil, according to the Greek Foreign Ministry.

In Brazil he would appear to be beyond the reach of Greek authorities as Brazil has no extradition treaty with Greece.

The Foreign Ministry in Athens said it had established that Mr Koskotas stayed for five days last week at the Rio Palace hotel in Rio de Janeiro. The ministry was trying to trace his whereabouts after that.

The Meridien hotel in the same Brazilian city said that a Mr Koskotas had a booking at the hotel and was due to check in last night.

The 34-year-old Mr Koskotas disappeared while under surveillance by an elite security force on November 6, two weeks after being charged with a multi-million dollar embezzlement and foreign currency fraud. The Government has been charged by Greek opposition parties with being implicated in the Koskotas affair and having masterminded the tycoon's disappearance.

During a parliamentary debate last week the Government was charged by Mr Stathis Panagoulis, an independent deputy, with having arranged Mr Koskotas' departure in co-operation with the Greek intelligence service. Mr Panagoulis alleged Mr Koskotas had left Athens on November 6, aboard Olympic Airways flight 241 to Milan. Olympic Airways said Mr Koskotas was not on the passenger list.

TWELVE DIVIDED OVER INVITATION TO ARAFAT

EC welcome for PLO decision

By David Buchan in Brussels

GREECE yesterday renewed its call for Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, to put the Palestinian case in person before the European Council of Ministers, which yesterday gave a cautious collective welcome to the PLO's recent endorsement of a two-state solution to the Arab-Israeli conflict.

Mr Carolos Papoulias, Foreign Minister of Greece, which holds the chair in the EC Council, said the Twelve should give Mr Arafat a personal audience "so that he can repeat the promises made before the Palestine National Council in Algiers without any misinterpretation". However, "the matter was open" because EC ministers were divided on it, Mr Papoulias admitted.

EC foreign ministers yesterday hailed the PNC's acceptance of United Nations resolutions 242 and 338 "as the basis for an international conference, which implies acceptance of the right to existence and security of all states in the region, including Israel".

Respect for this principle, and the right of Palestinian self-determination "with all that that implies," was a necessary precondition for a lasting Mid-East peace, according to the statement of the 12 ministers, who also welcomed the PNC's explicit condemnation of terrorism.

However, yesterday's statement represents a fragile consensus. Mr Papoulias said there had been "long discussion" of a Franco-Italian request that the EC statement include reference to the earliest of UN resolutions on the Middle East – Resolution 181 which called in 1947 for the division of Palestine into two states. This request was headed off by the several countries, inclnding the Netherlands and the UK.

In addition, Mr Papoulias indicated that Greece might break ranks with its EC partners by recognising the self-proclaimed Palestinian state. The possibility of Greece taking this step at the same time as ending its position as the only EC state not to give full recognition to Israel "has concerned and does concern us", he said.

He would set no timescale for this possible two-track recognition, but Greece is considered likely to be constrained from making such a move during the remaining six weeks of its EC presidency. In less than two weeks, Prime Minister Andreas Papandreou is to preside over a summit of EC leaders at Rhodes, where Mr Papoulias said he expected "in-depth discussion"

Sir Geoffrey Howe, the UK Foreign Secretary, said: "Today's statement should oot be regarded as a trailer for further changes in position" by the 12. The UK view was that recognition of a Palestinian state would be "premature."

The Greek minister said that ministers had discussed a letter recently sent by Israel to all EC governments urging them to hold off from recognising a Palestinian state. He said he was "oot overjoyed by the letter's content", but said it would be taken into account in EC deliberations.

During his September visit to the European Parliament in Strasbourg, Mr Arafat told Greek ministers he would like to atteod an informal meeting of EC foreign ministers in October. Greece sounded out its partners, but found their reaction was generally negative.

Onassis 'died of lung disorder'

MS CHRISTINA Onassis, daughter of the late shipping magnate Aristotle Onassis, died of a pulmonary edema, a lung disorder, according to an Argentine judge, Benters reports.

Ms Onassis, 37, died on Saturday at the home of a friend in Buenos Aires. A local judge had said the death was "questionable" and ordered an autopsy.

Judge Juan Carlos Cardinalli said yesterday some samples taken during the autopsy were still being analysed but that the cause of death was a lung condition. "The pathologists' report, while reserving some elements for further study, gave the cause of death as acute pulmonary edema," he said.

UN chief seeks Cyprus progress

By Andriana Ierodiaconou and Jim Bodgener

MR JAVIER Perez de Cuellar, the UN Secretary-General, will face the challenge of breathing life into hitherto stalled negotiations on a settlement in Cyprus when he meets the leaders of the island's communities in New York today.

President George Vassiliou, representing the Greek-Cypriots, and the Turkish-Cypriot leader Mr Rauf Denktash, are said to have made no substantive progress since they started talks on August 25.

Greek-Cypriot officials say sharply differing views have emerged on the nature of the bi-zonal federation which both sides have agreed in principle to establish on the island, partitioned since Turkey's 1974 invasion.

Mr Vassiliou is said to have argued that freedom of movement, settlement and property throughout a federal Cyprus (a long-standing Greek-Cypriot aim) could not be curtailed by any modern democratic state.

Mr Denktash has reportedly countered that Turkish-Cypriots are a vulnerable community whose rights and physical security must be safeguarded through a highly regulated territorial and constitutional arrangement.

David Bnchan in Brussels adds: Success in today's New York talks will hinge on whether Mr Denktash wants a modern European state or wants to perpetuate a European equivalent of apartheid, Mr George Iakovou, the Cypriot Foreign Minister, said yesterday.

He was speaking after an EC-Cyprus Council of Association meeting, which made some progress on rules of origin concerning exports from Cyprus. The Cyprus goveroment is committed to phasing in a customs-union arrangement with the European Community.

Mr Iakovou called for generosity from tbe Community, given Cyprus's need to restructure its economy in anticipation of free trade with the EC by the end of this century. He also echoed recent statements that Cyprus sought "a wider relationship" with the Community, including possible full membership.

Poland boosts currency scheme

By Christopher Bobinski in Warsaw

OVER one-third of Poland's hard currency imports next year are to be financed through state-run currency auctions at which companies will be able to bid for funds at rates reflecting supply and demand. The changes are due to be brought in on January 1.

According to officials, some $2.5bn will be auctioned in this way next year under an expansion of pilot schemes now in operation. Polish importers have had to finance purchases with hard-currency allocations from the government or with their own funds built by retaining an average 20 per cent of export earnings.

This year also, some $60m has been bought and sold at hard-currency sales organised by the new Bank for Export Development (BRE), where state sector companies have sold hard currency at rates twice as high or more than the official rate.

Next month for the first time a similar auction will be held for private sector companies. At the same time, the Foreign Trade Ministry is arguing that the hard-currency black market should be legalised, permitting private individuals to trade in foreign currency at free market rates.

The US dollar is worth some Zl 2,700 on the black market, compared with Zl 1,300 at the beginning of the year and an official rate of Zl 490 compared to Zl 390 last January.

Yugoslavia presses for better links with EC

By David Buchan

YUGOSLAVIA is to hold the first round of a new "political dialogue" with the European Community next month, reflecting both the Belgrade government's desire for upgraded relations with the EC and the latter's growing concern about instability in the Balkan country.

Mr Carolos Papoulias, Foreign Minister of Greece, current holder of the EC presidency, said yesterday that, at Yugoslavia's request, the next meeting on December 19 of the EC-Yugoslav Council of Association would include formal political discussions.

Mr Papoulias said he would lead the EC side and Mr Budimir Loncar, Belgrade's Foreign Minister, would lead the Yugoslav side, and discussions would focus mainly on Mediterranean and Balkan problems.

Concern about Yugoslavia's political and economic crisis has been mounting among member states that either border it, such as Greece, or, like Germany, harbour substantial numbers of Yugoslav workers.

But Sir Geoffrey Howe, the UK Foreign Secretary, suggested the Community might find it hard to help the beleaguered Balkan country because its problems "are far more domestic and political" than foreign and economic.

In another sign of Greek presidency influence, Mr Papoulias said yesterday's meeting of EC foreign ministers discussed Albania.

Speaking of the particular "Greek interest in the Balkans", he said it was important that the Community help create "a bridge of dialogue" between long-isolated Albania and the outside world.

Albania – which has a substantial Greek minority – has been engaging in more contacts with its neighbours.

Neo-fascists gain strength in Alto Adige

PARTIAL returns in provincial elections in alpine Alto Adige yesterday indicated a strong showing by Italy's neo-fascist party, which opposes giving preference to the majority German-speakers, AP reports from Bolzano.

Along with the gains by the Italian Social Movement party (MSI), the South Tyrolian People's Party (SVP) kept its first place showing, ahead by a wide margin in Sunday's elections. But the SVP was down, the Italian news agency Ansa reported.

With 200 of 617 polling stations reporting, the SVP had 54 per cent of the vote, compared to 59.3 per cent in the previous provincial elections in 1983.

There have been 23 bombings this year and more than 150 over the past two decades in Alto Adige. The terrorism has been blamed on German-speaking extremists.

Sunday's polling is considered a test of support for special autonomy provisions for German speakers, who outnumber Italian-speakers more than 2 to 1.

The provisions give advantages politically and economically, including jobs and public housing, in the region, which was removed from Austria after World War I.

The Italian Social Movement in its campaign advocated scrapping the special privileges and garnered 11.8 per cent of the vote, in early returns – more than double the 5.9 per cent captured in the 1983 provincial voting.

OVERSEAS NEWS

Keating berates business over currency profits

By Chris Sherwell in Sydney

AUSTRALIA'S business sector has come under pressure from the Labor Government in Canberra to pass on its gains from the eppreciating Australian dollar to consumers in order to contain inflation.

Mr Paul Keating, the Federal Treasurer, referring yesterday to the cheaper imports which resulted from e stronger currency, said bluntly: "There are too many people sticking to their margins. There are too many people hanging onto their money and not passing it through into prices".

It was the second time in three days he had drawn attention to the problem. Last Friday he announced that the Government's Prices Surveillance Authority would conduct a special inquiry into why the benefits of lower import prices were not showing up in retail prices. Significantly, he was quickly echoed by Mr Bob Hawke, the Prime Minister.

Their repeated comments follow a strengthening of the Australian dollar from 51 on e trade-weighted basis (May 1970=100) in the aftermath of the sharemarket crash little more than a year ago to more than 62 currently. Against the weakening US dollar, the Australian currency has firmed over the same period from 67 US cents to 86 cents, its highest level since late 1984.

Despite the trend, the inflation rate as measured by the consumer price index stood at 7.3 per cent for the year to September, against 6.9 per cent six months earlier. Mr Keating regards inflation as the country's number one economic disease, as important as its balance of payments difficulties.

The Government's admonitions to business are thought to be politically as well as economically motivated, reflecting the pressure it expects to face from the trade union movement ahead of sensitive pay negotiations, in which wage rises are supposed to be traded off against promised personal tax cuts. If business is using the appreciating currency to improve its profit margin, the Government argues, that undermines prospects for continued wage restraint.

In fact it is not clear which companies have passed on the gains and which have not. The Government has drawn attention to fuel prices, where motorists are clearly benefiting from cheaper petrol while domestic airlines passengers have yet to see a reduction in fares.

For its part, business tends to resent this sort of intrusion by Government. Yesterday it pointed out that the currency's move against the US dollar was far more marked than against other currencies, and that the benefits of a stronger unit would take time to flow through into retail prices. It was acknowledged that the effects would not be the same as when the Australian dollar plunged in 1985 and 1986.

Indonesia sweeps away curbs on imports

By John Murray Brown in Jakarta

THE GOVERNMENT of President Suharto yesterday took further moves to liberalise Indonesia's rule-bound economy with sweeping reforms of import restrictions, industrial licensing, shipping and product distribution.

Mr Radius Prawiro, the Economic Co-ordinating Minister, announced that the special import monopoly of plastics which is said to have raised input costs of Indonesian manufacturers by as much as 30 per cent, is to be scrapped. In the steel industry, only flat products, accounting for about 17 per cent of Indonesia's steel import bill, are to remain under quota to protect an industry "still in its infancy". In all Mr Prawiro said quotas had been removed from more than 380 products.

The reforms are part of a continuing deregulation as the country adjusts to the fall in oil earnings, historically the main export revenue and source of budget finance. The quota system which has been widely criticised by the World Bank, and is seen as difficult to administer, provides the government with no tax revenues, unlike tariffs, and offers wide scope for corruption.

Making reform more difficult is the fact that many of the monopolies are controlled by powerful business figures. The plastics monopoly, for example, is controlled by Bimantara, a group run by President Suharto's son.

In another important change, foreign joint-venture manufacturers will be able to distribute their products at the wholesale level. This is expected to help companies such as pharmaceuticals.

Inter-island transport is also to be deregulated, allowing foreign shipping lines to form joint ventures to operate in Indonesian waters. This, again, is aimed to facilitate distribution and improve trade in non-oil export commodities. Shipping companies are to be allowed to charter or lease foreign vessels, where previously they had to use locally built carriers.

Gorbachev rebuts unspoken Indian fears

K.K. Sharma reports on Soviet attempts to reassert a 'special relationship'

DURING HIS three-day visit to India, Mr Mikhail Gorbachev, the Soviet President, went out of his way twice to rebut what he called "speculative assertions" about his country's "special relationship" with India and firmly maintained there was no truth to the comment that Indo-Soviet relations had cooled.

This puzzled most Indians who have not heard of such speculation. But misgivings about e possible dilution in the "special relationship" have been expressed behind the scenes since Mr Gorbachev initiated his glasnost and perestroika reforms and it was these private fears that he was publicly dispelling. They relate mainly to trade and defence, the two areas that matter most to India.

How far these have been removed is still unknown since not much has been revealed about what happened in nearly eight hours of face-to-face talks that Mr Gorbachev held with Mr Rajiv Gandhi, India's Prime Minister.

China is one subject that is certain to have been discussed in detail because of the impending visits to that country by both leaders. However, no mention of China is to be found in the joint statement issued by both leaders at the end of the Soviet leader's visit.

Another subject not mentioned was Indian unease over the importance Mr Gorbachev is according East Asian countries such as Japan and Korea as well as the links he is seeking with Pakistan – despite the Afghanistan conflict – as part of his proclaimed policy of being friends with all.

There are practical reasons for this. The Soviet Union is now more choosy about the quality of consumer goods it imports and some orders – of ready-made garments for instance – have been shifted from India to China and Pakistan. More important, Indian companies so far do not figure in plans to develop Siberia. This was a subject raised during the Delhi summit but finds no mention in plans to enlarge Indo-Soviet economic relations.

Of equal importance is the fact that Moscow is now insisting on higher prices and harder terms for supplying its products because perestroika requires each plant to show a profit. This principle is also being applied to defence supplies which India has got used to receiving at throw-away prices.

The Soviet Union used to supply defence equipment on credits with 2.5 per cent interest and repayments spread over 15 years with a two-year grace period. It is now insisting on repayments in 10 years. Terms are also being stiffened for exports at a time when India faces a serious foreign exchange crunch.

All this really boils down to the question: where does India stand in relation to the structural and policy changes being made in the Soviet Union? Both in public and in private meetings with Mr Gandhi, Mr Gorbachev insisted that nothing had changed and the fraternal relations between the two countries could only be strengthened. Indeed, Mr Gorbachev's second visit is being interpreted as a visit to reassure the Indians.

In concrete terms, this was not difficult to show. The Roubles 3.2bn (£3bn) new credits for nuclear power stations and Soviet-aided thermal and hydro projects and other agreements signed during the visit come on top of a trade protocol for 1989 signed last week providing for an expansion of 35 per cent in mutual trade volumes. Equally important is the decision to "intermesh" the two countries' next five-year plans to provide for each other's needs.

But it is what transpired at the private meetings between the two leaders that really counts. Little is known about this yet but their public utterances suggest that they are keen to provide the political push that is needed to make the Indo-Soviet "special relationship" meaningful.

This could lead to some big concessions for India. For instance, under perestroika all Soviet organisations must insist on what is known as "unit-to-unit balancing", which means they must arrange for contracts to export goods of the same value they import. The Indians have said this is impeding growth of trade and so an overall balanced trade, rather than unit-level balance, should be agreed to.

If Mr Gorbachev goes along with this, it will be a significant pointer to the direction Indo-Soviet relations will take. He can also provide for a faster pace of approval of contracts that Indian businessmen are seeking in the Soviet Union (so far 55 joint ventures have been proposed but only three approved because of hureaucratic hurdles).

Mr Gorbachev is reported to have given assurances on Soviet defence supplies, on which India is heavily dependent, including sales of the latest in MiG aircraft and Soviet submarines and tanks which are the mainstay of the Indian armed forces.

Yet the big test of the durability of Indo-Soviet relations could come within the next two months when Mr Gandhi is scheduled to visit Peking. This will be followed up by a Sino-Soviet summit early next year.

Both countries are trying to build bridges with China and there could be some conflict of interest in doing so. Mr Gandhi has been given a detailed briefing on glasnost and perestroika but it is how these affect India's vital political and economic interests that will determine the country's future relations with the Soviet Union.

Gorbachev and Gandhi in New Delhi

S Korea expects growth rate of 11.5%

By Maggie Ford in Seoul

SOUTH KOREA is expected to record an annual growth rate this year of 11.5 per cent and a current account surplus of $12.5bn, according to the Korea Development Institute, a government advisory body.

The estimate is well above original targets and compares with last year's record increase in gross national product of 12 per cent accompanied by a surplus on the current account of $9.8bn.

The KDI forecast yesterday that exports for the whole of 1988 will rise by 15.8 per cent, producing a trade surplus of $9.4 bn compared with last year's $7.6bn. South Korea continues, however, to expect a reduction in its trade surplus with the US from $9.8bn in 1987, from efforts to increase imports.

The forecast reflects the continued buoyancy of the country's export sector which has diversified strongly this year into European, Japanese and other markets such as China, along with an increase in domestic demand.

The KDI expects the rise in the growth rate and the current account surplus to slow next year because of the effects of the appreciation of the won, which has now risen more than 14 per cent against the US dollar this year.

The Institute, whose forecasts are normally conservative, predicts the 1989 growth rate of between 8 and 9 per cent along with a current account surplus of about $9bn.

● A team of negotiators from the EC and Japan have arrived in South Korea as part of an effort by the Organisation of Economic Co-operation and Development to stabilise the world shipbuilding industry.

The negotiators will seek to persuade Seoul, now second in the world market, to reduce capacity. Two of the country's four shipbuilders are currently seeking government aid.

Ezoe: few fragments

Recruit boss stonewalls MPs' probe

By Stefan Wagstyl in Tokyo

MR HIROMASA EZOE, the businessman at the centre of Japan's widening financial scandal, yesterday appeared in public for the first time since the affair erupted in June to give evidence before e Diet (parliamentary) investigating committee.

Mr Ezoe answered questions for nearly two hours but added only a few fragments of knowledge to what has already been revealed about the affair. He admitted that he had played a large part in deciding how shares in Recruit Cosmos, a subsidiary of Recruit, his master company, should be distributed to prominent people, whn later sold them st a profit.

But he said the shares had been distributed "at random" among prominent people who would be solid long-term shareholders. Recruit had had not expected any favours from the recipients of the shares, who include aides to leading politicians.

Despite persistent prohing from opposition party politicians, who want to embarrass the ruling Liberal Democratic Party over the scandal, Mr Ezoe refused to admit that any of the share transfers had amounted to bribery. In particular, he denied that Mr Yasuhiro Nakasone, the former Prime Minister, had helped the Recruit company in business dealings, including its contacts with Nippon Telegraph & Telephone. Aides to Mr Nakasone and to some of his close political associates were among recipients of shares, as were three senior NTT officials.

Meanwhile, the list of those implicated has been extended to Mr Kakuei Tanaka, the former Prime Minister who was forced out of office for accepting bribes from the Lockheed aircraft company in the mid-1970s. Mr Shigezo Hayasaka, a former aide to Mr Tanaka, admitted buying 20,000 Recruit shares in 1984.

Tamils and Moslems do well in Sri Lanka vote

By Mervyn de Silva in Colombo

THE Sri Lankan minority Tamil and Moslem candidates both scored heavily at the expense of the central government party's candidates in the first elections to be held for a new assembly for the newly-merged eastern and northern provinces designed to give the Tamils a measure of regional autonomy.

The EPRLF, a Tamil militant group, and the Moslem Congress won 17 seats each, while the ruling Unitsd National Party took only one seat. The merger, the most controversial item in last year's India-Sri Lanka "peace accord", is provisional and will be the subject of a referendum in the eastern portion in December next year. The ethnically-mixed Eastern province could then decide to de-link itself from the predominantly Tamil north.

An extraordinarily low 6 per cent poll in the predominantly Sinhalese district of Ampara showed how deeply Sri Lanka's majority Sinhalese resent the merger, a compromise with the Tamil claim for Eelam – a separate state in their homeland.

Mrs Sirimavo Bandaranaike's Freedom Party (SLFP), the main opposition party, had called for a boycott, but a senior Sinhalese official said: "More effective were JVP threats." The JVP is an extremist marxist group which has launched a spectacular "patriotic war" against the Government, killing at least 600 UNP stalwarts, marxist supporters of the "accord", policemen and village officials.

The SLFP and JVP, which both denounce the accord as a sell-out of Sinhalese-Buddhist interests and Sri Lankan sovereignty, have called for the immediate withdrawal of 60,000 Indian troops sent in as s pesce-keeping force after the accord was signed.

The turnouts of 80 per cent in the Tamil and Moslem dominated Batticaloa administrative district, 52 per cent in Trincomalee and 54 per cent in the non-Sinhalese parts of Ampara, made the election credible, particularly because the Tamil "Tigers", the strongest of the Tamil guerrilla groups, boycotted the polls and threatened to kill candidates.

Israeli banks ponder more cash for Koor

By Andrew Gowers, Middle East Editor

ISRAELI banks are negotiating to provide Koor Industries, the troubled industrial group, with another temporary cash injection amid continuing uncertainty as to whether the company can be saved from compulsory liquidation.

Prof Eitan Berglas, chairman of Bank Hapoalim, Israel's largest bank, said in London yesterday that the negotiations followed an injection of about $10m (£5.5m) by the banks a fortnight ago, designed to help the trade union-owned company fund its operating expenses pending agreement on a recovery programme.

The crisis stems from a court case seeking Koor's liquidation which was launched six weeks ago by Bankers Trust of New York, Koor's largest foreign creditor. Koor has since then been scrambling to produce a recovery programme which will be acceptable to its domestic and foreign creditors.

The Israeli banks, which are collectively owed $850m by Koor out of its total debt of $1.27bn, have appointed a consultant – Prof Yitshak Sharui of Jerusalem's Hebrew University – to appraise a rationalisation plan calling for sharp cuts in personnel which Koor presented earlier this month. His report is likely to be ready in about a week.

Prof Berglas said that if the consultant approves the plan, Israeli banks are likely to agree to write off $107m of Koor's debt to them, and the Israeli Government will provide $50m in fresh equity investment.

The key question, however, is whether the foreign creditors will also approve the plan. Bankers Trust has thus far rejected proposals for an out-of-court solution, and if it pursues its court case, other banks – both Israeli and international – are likely to seek recovery of their own loans to Koor.

Taiwan plan to retire old guard under fire

By Bob King in Taipei

THE TAIWAN Cabinet's draft bill to retire ageing MPs and other national representatives has caused an uproar in parliament – but it is, paradoxically, those MPs who would most like to see elderly members out who are opposing the measure with most vehemence.

At issue with younger lawmakers are provisions within the proposed law for more than T$3bn (£60m) in pensions for the elderly representatives, who last stood for election more than 40 years ago in China.

Mr Wu Yung-hsiung, a maverick ruling-party MP whom the party recently expelled because of e personal attack on Premier Yu Kuo-Hwa and other "disruptive behaviour," led off the attack on the new bill by vowing to oppose it "even to death".

The issue of pensions has been a rallying-cry for activists on both sides of the aisle in Taiwan's parliament. Many younger MPs believe that elderly representatives have amassed sufficient funds over the past 40 years to do without further assistance.

Vietnam sets two-baby rule to curb population

THE Vietnamese Government has decreed families which have more than two children will be punished in a bid to reduce steep population growth amid high unemployment and food shortages, Renter reports from Bangkok.

A government decree, reported in Nhan Dan, the Communist Party newspaper, said people will be offered free contraceptives and abortions and a "commendation and award system" will encourage vasectomy and sterilisation.

For those who have too many children "the organs of direct management will mete out appropriate punitive measures according to the law currently in force."

The rule covers party officials, workers, state employees and soldiers.

The government aims to reduce annual population growth to 1.7 per cent by 1990. It is now about 2.5 per cent, adding more than one million people each year to a population of 65m.

The new code is quite specific. "If the first pregnancy produces twins or triplets a second will not be permitted. A couple already having a child will not be breaking the rule if they have twins or triplets in the second pregnancy," it said.

Israel rebukes Egypt over Palestinian state

By Andrew Whitley in Jerusalem

THE Israeli Government yesterday issued a mildly-worded rebuke to Egypt for its formal recognition of a Palestinian state alongside Israel and Jordan.

Mr Shimon Peres, the Foreign Minister, told Mr Muhammed Bassiouny, the Egyptian ambassador to Tel Aviv, that the recognition was not consistent with the principles of a negotiated settlement of the dispute, to which both countries were committed.

He expressed regret over the move and asked the ambassador to convey Israel's concern over the development.

Earlier, Mr Yitzhak Rabin, Defence Minister, condemned Egypt's move, describing it as a "deviation" from its commitments under the Camp David accord.

By endorsing a unilateral action by the Palestine Liberation Organisation, officials argued, Egypt had set a dangerous precedent. Paradoxically, Egypt's recognition of a Palestinian "state" could strengthen the hand of Israeli right-wingers pressing for the annexation of part or all of the occupied territories.

Some politicians go further and openly advocate the expulsion of the 1.7m Palestinian residents of the West Bank and Gaze Strip. Until now the Prime Minister, Yitzhak Shamir, has resisted the demands for unilateral action, arguing thet Israel must remain faithful to Camp David.

Peres set to break off coalition negotiations

By Andrew Whitley

MR SHIMON PERES, the Israeli Labour Alignment leader, was expected last night to announce the breaking-off of coalition negotiations with the right-wing Likud party.

This followed Likud's refusal to give an answer to its historic rival's demand for equal standing in the new government by yesterday.

Labour had been pressing hard for either the finance or foreign ministries, in addition to the defence portfolio already earmarked for Mr Yitzhak Rabin, its incumbent for the past four years. But such concessions appear too much for Likud to swallow, despite the eagerness of Mr Yitzhak Shamir, the Prime Minister, to form a broad coalition.

Whether Mr Peres' ultimatum proves, in the end, to be tactical will depend largely on the progress of negotiations Likud is likely to renew today with its small religious and right-wing allies, focusing on the distribution of portfolios within a narrow coalition. Conflicting demands remain to be ironed out.

Thousands of demonstrators gathered outside parliament yesterday to protest against what they described as "religious coercion". A small counter-demonstration hy those favouring the proposed amendment of existing legislation to strengthen religious observation and the position of the Orthodox Rabbinate, was also mounted.

Malaysian judge given top job

TAN SRI HAMID OMAR, Chief Justice of Malaya, and widely regarded as a strong supporter of Dr Mahathir Mohamad, the Prime Minister, has been promoted as Lord President of the Supreme Court, the top judicial job, Wong Sulong writes from Kuala Lumpur.

Tan Sri Hamid, 64, played a controversial role in the removal of his predecessor, Tun Salleh Abas, and two other Supreme Court judges, and for this, the Malaysian Bar Council has adopted a vote of no confidence against him and demanded his resignation.

He was chairman of the tribunal which recommended Sultan Mahmood Iskandar, the king, to sack Tun Salleh for alleged misconduct last August. As acting Lord President, he urged the king to set up another tribunal to try five Supreme Court judges for alleged gross misbehaviour. Two of the five were found guilty and dismissed.

Meanwhile, Tengku Razaleigh Hamzah, Dr Mahathir's arch-rival, is understood to have replied to the Prime Minister, rejecting his offer of a position in the Cabinet.

Thais find god in America's windy city

Peter Ungphakorn reports on the fight to reclaim an ancient temple carving

"Take back Michael Jackson, return Vishnu," Thailand's rock superstar, Ad Carabao, sings in his latest hit. And late on Thursday night, in the full glare of television lights, Vishnu, carved 800 years ago on the *stone lintel of e temple, landed* at Bangkok Airport.

The Hindu god's ehrupt return from the Art Institute of Chicago ended months of rising nationalist emotions in Thailand and brought relief for Thai and American diplomats. But Vishnu retained some of *his mystery.*

Archeeologists and art euthusiasts in Thailand and the Thai community in Chicago have been campaigning intensively for the return of the lintel, said to have been stolen from ruins in north-east Thailand during the Vietnam war when the US air force was based nearby.

How the stone-relief panel, which belongs above the doorway of a *Khmer* temple, reached the United States is not clear. It is believed to have been stolen in about 1966 and most observers think Thais, including military officers, must have been involved.

It ended up in the possession of the Elizabeth Cheney Foundation, a private trust, which bequeathed it to the Chicago Institute.

A Thai art expert visited the museum 12 years ago and realised the artefact was a missing piece from the temple ruins. He started moves for the lintel's return but little happened until this year when *a group of* intellectuals took up the issue.

The issue sparked a mood of nationalism. Businessmen, academics, *tourists*, anyone who rashly revealed Chicago origins, quickly found themselves at the receiving and of a verbal onslaught.

In the windy city itself, Thais and Americans demonstrated outside the Institute. The Chicago city council held hearings and the *dispute* featured on local television.

The Institute stood fast. It insisted it had obtained the lintel legitimately. It said the Thai Government had failed, when the issue was first raised 12 years ago, to verify that the object in its possession was the one in question.

The Institute was apparently afraid of setting a precedent which could lead to the return of the Elgin Marbles, now in the British Mnseum, and countless other artefacts taken away from their original countries.

It did offer to loan the lintel back to Thailand in exchange for another object of similar value, but the Thai response was negative.

Then, suddenly, the Institute announced the lintel would be flown back to Thailand and the Elizabeth Cheney Foundation would supply an alternative whose credentials would not be questioned – perhaps a similar Khmer artefact, but one from a temple in what is now Kampuchea.

It is not clear why the Foundation made the gesture, what the US Government's role was, or whether Americans returning to Chicago, such as a recent delegation of businessmen, suddenly realised how sensitive Thais can be when they think national honour is at stake.

The anomalies of nationalism are sometimes overlooked in Thailand. Campaigners have asked the Americans how they would feel if the Statue of Liberty's *torch was stolen.*

The lintel is described as a priceless piece of Thailand's heritage, but it may have been made by Khmers – the peopls of Kampuchea who once ruled part of Thailand. Several artefacts in Thailand were plundered from neighbouring countries during the ancient wars.

Thai culture is under threat from commercial predators who ransack ancient temples for artefacts to sell to antique shops

Gencor to shut down uranium operation

GENCOR (General Mining Union Corporation) has closed its Chemwes uranium operation because of pressure from foreign sanctions, the company said, Reuter writes from Johannesburg. Gencor said that Chemwes would shut at the end of the month after its main customer, which it did not name, had ended its agreement to buy uranium oxide.

"Under these circumstances, Chemwes is unable to continue operating on a commercially viable basis," it said.

Botswana in $400m soda ash deal

THE BOTSWANA Government and African Explosives and Chemical Industries (AECI) yesterday gave the go-ahead for a R920m ($400m) soda ash project which will eventually end South African dependence on American imports, writes Anthony Robinson in Gaborone.

The project at Sua pan, in the Makgadikgadi depression in central Botswana, will come on stream in 1991. It will produce 300,000 tons of soda ash and 650,000 tons of salt by 1994 when the plant reaches full production.

The project, first mooted in 1960, will end South Africa's dependence on imported soda ash from the American Natural Soda Ash Corporation (Ansac), US export corporation. It will supply all South Africa's needs – currently 260,000 tons per year.

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AMERICAN NEWS

A daunting task for legendary Darman

Stewart Fleming reports on Bush's appointment of a skilful and intelligent politician

MR Richard Darman, named yesterday to take over as Director of the Office of Management and Budget when President-elect Mr George Bush assumes office next year, will occupy one of the most sensitive and demanding posts in the new Administration.

Mr Darman, a political ally of Mr James Baker, who will be President Bush's secretary of state, will head an agency which has always attracted the elite of the US civil service. Its director, says Mr Rudi Penner, a former director of the Congressional Budget Office, "is an enormously powerful individual."

His basic task is to negotiate with cabinet officers in preparing the President's budget and to monitor implementation of the budget plans. In today's climate of fiscal austerity and $150bn budget deficits, this means securing cabinet officers' agreement to restrain the spending of their departments and making sure they stick to their commitments.

"He negotiates with cabinet officers but he holds most of the cards," says Mr Penner, adding that the only way to get around the OMB director is through an appeal to the President.

In addition, however, particularly in recent years, the OMB director has played a growing role in negotiating budget agreements with the powerful congressional committees which authorise the Government's spending plans and approve the outlay of funds.

Mr Darman, however, is going to have to carry out these tasks in unusually difficult circumstances.

The easy budget choices, in so far as they existed, have long since been made. Mr Bush's sweeping "read my lips, no new taxes pledge" and the Gramm-Rudman-Hollings law's budget deficit targets, have severely constrained the incoming Administration's room for manoeuvre, providing Mr Darman with a daunting test of his legendary ingenuity.

Even quite small changes will have the capacity to arouse intense opposition, and not only from the Democrats. Conservative Republicans who are suspicious of Mr Darman's pragmatism may well give the new budget director as much trouble as his nominal political opponents.

Finally, judging from the nervousness in the markets in the past few weeks, Mr Darman will have to draw up a budget negotiating strategy and conduct the negotiations while keeping a wary eye on investor reaction worldwide.

Mr Darman's reputation as one of the most intelligent and skilful politicians in Washington is such, however, that he is widely seen within both Republican and Democratic party ranks as one of the few men likely to emerge from the budget director's job with his reputation enhanced.

Although only 45, he is a consummate Washington insider, an idealist who has described himself as "an almost syrupy believer in the specialness" of America. He remains a committed public servant who does not share the ideological Republican right-wing's view that less is invariably better for the role of government in society.

The son of what he has described as a "moderately affluent" New England business family, he is a graduate of

Darman: legendary ingenuity

Harvard College and Harvard Business School. In 1970 he joined the Nixon Administration, working closely with Mr Elliot Richardson, the Secretary of Health, Education and Welfare.

Today he happily regales audiences with amusing stories about the famous "Saturday night massacre" in 1973 when Mr Richardson, by then Attorney General, resigned (along with several assistants, including Mr Darman) rather than implement President Nixon's order to fire Mr Archibald Cox, the Watergate special prosecutor.

Between 1970 and 1977 Mr Darman held policymaking positions in five cabinet departments and then, during the Democratic Carter Administration, retreated to the Kennedy School of Government at Harvard to teach.

He returned to Washington to join the Reagan Administration in 1981. Working closely with then White House Chief of Staff James Baker, he became a powerful figure in the Reagan Administration through skilful manoeuvring in a mid-level post.

In 1985, when he moved with Mr Baker to the Treasury to be deputy treasury secretary, a wider audience than Washington's politicians and diplomats began to learn just how influential a member of the Reagan team he had become.

Mr Darman is a man who takes pride in thinking through the underlying concepts and mastering the details of issues he is dealing with.

These abilities enabled him to play an essential role alongside Mr Baker, the Treasury Secretary, securing agreement with Congress on the sweeping 1986 tax reform legislation. He also provided much of the Administration's intellectual input into the policy for first devaluing and then stabilising the dollar which Mr Baker and Mr Paul Volcker, then Federal Reserve Board chairman, launched in 1985.

"The trick," he said of the tax reform effort in the New York Times interview, "is to arrange a context in which several competing politicians can step forward simultaneously to share what credit and blame there is for something that is going at least to be ambiguous."

That Mr Darman will want to find a way to avoid a budgetary stalemate is evident not only from his record as a politician who is impatient with ideologues but also from hints about the importance he attaches to fiscal responsibility.

"The build-up of the deficit was regrettable over the past five or six years because of the accumulation of debt," he told the Washington Post last year when he resigned as deputy treasury secretary. "My own opinion as to what needs to be done," he went on, "is that at some point or other some of the middle class entitlement programmes have to get on the table in a bi-partisan negotiation of a budget compromise."

He added: "As a matter of practical modern political fact, (the) social insurance component of the budget is going to be something close to as large as it now is," a comment to which no conservative Reaganaut would put his name.

The post of OMB director presents Mr Darman with a personal challenge, for it is the first time that he will head a major Administration department and take on the consequent responsibility for communicating with the public.

His critics maintain that, because of the prickly side of his nature, he may find the adjustment difficult. People who have worked closely with him question this judgment and the related view commonly heard in Washington that his intellectual self confidence borders on arrogance. Mr Darman has at least a self-deprecating sense of humour.

Introducing a typically cold-eyed and frank assessment of Mr Bush's post election prospects a few weeks before the Vice President defeated Governor Michael Dukakis on November 8, Mr Darman recalled how, in debate rehearsals, he had been called on to play the role of the Massachusetts Democrat.

"I had the honour of playing Dukakis in the debating trials," he said. "The dirtiest trick of the campaign so far was that someone in the Bush apparatus put it out that I was chosen because in some extraordinary way I personified arrogance."

Prospect of Conservative victory boosts Canadian dollar

By David Owen and Andrew Marshall in Toronto

THE Canadian dollar soared to *a seven-year high yesterday in* anticipation of a conclusive victory by the ruling Conservatives in the Canadian general election.

A close race was none the less expected as the country's 14m voters, strung across five time zones, prepared to brave the wintry weather to cast their ballots.

A second consecutive Conservative majority in Ottawa is needed to secure the passage of Prime Minister Brian Mulroney's free-trade agreement with the US.

The agreement, the dominant issue throughout the campaign, is bitterly denounced by both opposition parties. It is strongly supported, however, in both business and financial circles.

In morning trading in Toronto, the Canadian dollar rose a strong 1.26 cents against its US counterpart *from Friday's close to* $2.56 cents.

Traders attributed some of the morning's gains to technical factors, but said the main impetus came from the improved prospects for a Conservative victory.

Stocks also rose strongly in moderate trading. By 1pm, the benchmark Toronto Stock Exchange TSE-300 index was up 18.62 at 3,239.7. The financial services sub-index accounted for most of the gain.

The markets' speculative euphoria appeared to stem from the publication of three new opinion polls over the weekend, which gave the Tories a lead in popular support of between 5 and 11 points.

Ever since the Liberals' unexpected mid-campaign revival earlier this month, opinion polls have appeared to be the main arbiter of nervous currency and *stock market* fluctuations.

Three weeks ago, a Gallup poll which gave the Liberals a commanding 12-point lead triggered a 75-point sell-off on the edgy Toronto Stock Exchange. A week before that, the Canadian dollar fell almost 1.5 cents in frenzied trading in the wake of polls indicating that the Liberals were gaining ground.

Pollsters were divided on whether the level of support indicated by the latest surveys would be sufficient to yield a Tory majority, however.

Gallup said analysis of their figures led them to believe the Conservatives would win about 160 of the 295 seats in contention. The Winnipeg pollster *Angus Reid, by contrast*, indicated that the question of minority or majority remained in the balance.

Salinas to discuss debt with Bush

By Richard Johns in Mexico City

RELIEF of Mexico's debt-servicing burden will be top of President-elect Carlos Salinas Gortari's agenda at his meeting today in Houston, Texas, with Mr George Bush, who takes over the White House on January 20.

Reduction of interest payments and remission of principal are also highlighted as the country's highest priority, in policy recommendations put forward in a study by experts of the ruling Institutional Revolutionary Party (PRI) at the weekend.

Officials here are, at least, highly optimistic that Mr Bush will give a sympathetic hearing to the plea of Mr Salinas Gortari, who dons the presidential sash on December 1, for an alleviation of Mexico's $103bn (£57bn) external debt obligations. Servicing it will cost Mexico $9bn this year, about 6 per cent of the Gross Domestic Product.

In particular, the Mexican Government is heartened by Mr Bush's assurance that his administration will seek close consultations with Mexico on common problems.

It was given in a letter last week acknowledging receipt of a report by a high-level joint US-Mexican commission of experts including, on the US side, Mr William Rogers, former Secretary of State, and Mr Robert McNamara, former President of the World Bank.

Entitled The Challenge of Interdependence: Mexico and the US, it says the change of governments in the two countries presents "an historic opportunity" which will not occur again this century for an improvement in relations.

The study says creditors should be more understanding in looking for means for Mexico to resume economic growth.

Brazilian oil workers' leaders accept compromise pay deal

By Ivo Dawnay in Rio de Janeiro

A CRIPPLING strike at Petrobras, Brazil's state-owned oil monopoly, appeared to be coming to an end yesterday as workers' leaders accepted a compromise pay deal.

Officials at the company's Rio de Janeiro headquarters said a general return to work was expected at refineries across the country, averting a widely-feared exhaustion of petrol, gas and diesel stocks.

More than 45,000 staff had taken industrial action for a week in pursuit of a 26 per cent pay claim and the six-hour work shift guaranteed by the new constitution.

In an agreement reached at Brazil's Supreme Labour Court on Saturday, union leaders accepted a 15 per cent pay increase and undertakings that a shorter working week would be introduced soon.

The accord removes the most serious threat to the Government in a wave of strike action now afflicting a number of big companies and public offices in several state governments.

Strikes are continuing to play havoc with the heavily indebted steel sector, however. At the Companhia de Siderurgica Nacional (CSN) steel mill at Volta Redonda in Rio de Janeiro state, more than 20,000 workers were awaiting the judgment of a regional labour tribunal on their 26 per cent pay claim.

They were joined yesterday by colleagues at the Acominas steel mill in neighbouring Minas Gerais state, where over 6,000 workers took strike action in support of a 153 per cent pay claim.

The steel strikes, fuelled by anger at the deaths of three workers in a clash with troops 10 days ago, have led to public speculation that the Government may bring forward plans to privatise sections of the industry.

The Volta Redonda mill, the largest in Latin America, loses $400m (£220m) a year and is a major contributor to the vast debts of Siderbras, the state-owned steel holding company with borrowings of over $16bn.

US unveils stealth bomber

By David White, Defence Correspondent

AN EXTRAORDINARY creature without a head or a tail is to be revealed to the public for the first time today at US Air Force Plant 42 at Palmdale, California.

The B-2 Advanced Technology Bomber, designed to penetrate deep into Soviet territory with either conventional or nuclear weapons without being detected on radar screens, is one of the most revolutionary aircraft ever developed, and certainly the most expensive.

The development and procurement cost for the 132 B-2 bombers required by the USAF is estimated at between $60bn and $70bn (£40bn), or approximately twice Britain's total annual defence budget, while argument continues about whether the US actually needs an aircraft like it.

An artist's impression released earlier this year shows the B-2 as a flying wing, shaped broadly like a boomerang, with a 172-foot wingspan and a zig-zag trailing edge. A rounded cockpit and two twin-engine outlets bulge from the flat surface. Developed principally by Northrop and using General Electric turbofan engines, the subsonic bomber relies heavily on composite materials which absorb rather than deflect radar signals.

The B-2 will be the first of the new generation of "stealth" aircraft to be seen. The USAF's stealth fighter, the Lockheed F-117A, which unlike the bomber has been operational for the past five years, has not been put on display, although the Pentagon has now lifted the secrecy of the programme.

It admitted earlier this month to the existence of the fighter, shown in a photograph to resemble a hewn hunk of rock with a flat swept wing and a V-shaped tail, and said 52 of the 59 ordered had already been built.

The B-2 is not due to be operational until the early or mid-1990s. It is expected to have a somewhat longer range than the trouble-ridden Rockwell B-1B bomber, to be operated by a crew of two, and to be capable of carrying a normal payload of 16 medium-range cruise missiles or nuclear bombs.

The US is reported to have funded six development aircraft under the programme, which dates back to 1981. Construction of base facilities is already under way.

Both the unveiling of the stealth fighter and the rolling-out of the bomber were deliberately held back until after the US presidential election in order to avoid any electoral use of the projects.

Like the B-1B, the B-2 has been the subject of considerable controversy, both about costly changes in the programme which have put it about a year behind schedule and about the requirement for a manned penetration bomber.

Opponents argue that air-launched cruise missiles fired from outside enemy borders are more effective, that the bomber's cost is exorbitant and that improved air defences might soon render it obsolete.

Advocates of the stealth bomber maintain that it strengthens US deterrence, that a variety of US systems places more strain on Soviet air defence capabilities, and that a manned bomber would be able both to protect itself and to seek out targets such as mobile missiles in ways that cruise missiles cannot.

US refuses to lift Japanese trade sanctions

By Louise Kehoe in San Francisco

The US has rejected an appeal by Japan to lift trade sanctions before President Reagan leaves office.

During two days of talks that ended on Friday, the Japanese failed to persuade US officials they had opened their domestic market to foreign semiconductor chip suppliers and that the sanctions should therefore be dropped, according to US industry officials.

The sanctions were imposed 18 months ago in retaliation for Japan's alleged failure to live up to the terms of the 1986 US Japanese Semiconductor Trade Agreement by increasing imports of foreign-made semiconductors.

Reagan: unhelpful

Originally, President Reagan instituted punitive 100 per cent import tariffs on Japanese goods valued at $300m per year. Subsequently, a portion of the tariffs was lifted in recognition of Japan's efforts to end "dumping" or the sale of chips below cost in the US and elsewhere.

The remaining tariffs, valued at $165m a year, cover specific electronic products including laptop computers. Since the sanctions were put in place, the US share of the $10bn Japanese semiconductor market has risen by about 2 per cent, according to Japan's Ministry of International Trade and Industry (Miti), to a current level of 10.7 per cent.

The increase has not, however, satisfied US industry leaders who continue to maintain a target of 20 per cent market share, as recognised by the Japanese government in a private "side letter" to the 1986 trade pact.

According to data published by Miti, Japanese semiconductor imports rose from a low of $234m in the first quarter of 1987 to $465m in the second quarter of 1988. Rapid growth in the Japanese semiconductor market has, however, prevented even this sharp increase translating into a significant growth in market share.

UK set to announce major Saudi investment

By Finn Barre in Riyadh

BRITAIN and Saudi Arabia are expected today to announce a major UK programme of investment in the Kingdom to offset part of the value of British arms sales.

Mr George Younger, the British Defence Secretary, arrived in Riyadh last night to set the seal on the programme, designed to channel part of the money spent by the Saudis on a three-year-old £5.5bn arms deal into investments in the kingdom.

The deal, agreed in 1985-86, was for the purchase of 72 Tornado fighter-bombers plus a number of jet trainers. Earlier this year, the agreement was supplemented with a deal for the purchase of up to £10bn-worth of additional Tornados and Hawks, as well as minesweepers, and helicopters.

It is understood in Riyadh that after prolonged negotiation, the broad outlines of the British offset deal have been hammered out. Officials at the Ministry of Defence in London declined to give details pending a fuller announcement today.

The deal is believed to be modelled after an earlier offset deal signed with the US during the award of a $1.3bn contract to build the ground control network for the kingdom's American-built Airborne Warning and Control System (Awacs) aircraft.

Under this agreement, the Americans promised to offset 35 per cent of the technical portion of the contract with investments in Saudi Arabia. It is not clear what proportion of the contract Britain has agreed to offset, but the investment may be worth a total of £1bn over a 10-year period. The Saudis are expected to invest a matching amount.

Mr Younger will be concentrating on the offset agreement, but he may also discuss a pending submarine sales deal. Last year, the kingdom announced it would buy eight submarines and dock facilities. France, West Germany and the Netherlands are the main competitors with Britain for the deal, but it appears to be going forward only slowly, if at all.

US tackles web of Israeli trade barriers

Andrew Whitley reports on American grievances about a free trade agreement

THE shock and disbelief among US officials could not have been greater if the altar boy had been caught stealing from the collection after Sunday service.

The offending Israeli document on the table itemising those local goods exempted from purchase tax, to the disadvantage of manufactured imports, ran to 64 pages of single-spaced text. Their value exceeded $1bn. "The Annexe III exemptions were so egregious that they had nothing to say," commented one outraged US participant in a recent round of negotiations in Washington.

Those talks, aimed at thrashing out a long list of US grievances over the way their three-year-old Free Trade Agreement (FTA) with Israel was working, almost broke down on a number of occasions.

Earlier this month the weary negotiators finally initialled a document settling three of the most blatant examples of alleged Israeli "cheating": the purchase tax exemption, an import levy known as Tama, and a ban on the import of US plywood. The first two will be phased out over the next six years, a timetable dictated by the need to comply with the FTA's 1995 deadline for the abolition of all barriers to bilateral trade, while modest quantities of plywood will be allowed in over the coming years under a quota system.

INDUSTRIAL EXPORTS TO ISRAEL

	1980	1988
Telecoms equipment		
US	$1.5m	$3.5m
EC	$0.4m	$21m
Refrigeration equipment		
US	$5m	$3.9m
EC	$4.6m	$13.8m
Tyres		
US	$0.8m	$0.6m
EC	$1.5m	$13.2m

Source: US Department of Commerce

A formidable web of discriminatory non-tariff barriers, harder to tackle because of their vague application, remains to be settled.

Among the weapons at the disposal of protectionist-minded local officials are licensing and standards regulations and an ad hoc customs "uplift" which arbitrarily raises the cost of an imported item for valuation purposes. Significantly, Israel has yet to sign the latest General Agreement on Tariffs and Trade convention on customs valuation practices.

On the question of standards, US officials say they have encountered over a hundred instances of so-called voluntary standards being applied to imports as mandatory, while local manufactures are subject to much less stringent requirements.

As for the task of extracting an import licence from the labyrinthine Israeli bureaucracy, one European diplomat sourly described the process as "more of an art than a science." It was evident from the start that the FTA with Israel was more of a political gift to a close US ally than a genuine attempt to promote the balanced growth of two-way trade.

But what has upset the Special Trade Representative's office lately is the way in which Israeli exporters are clearly benefitting much more than their US counterparts.

While US imports of Israeli goods have climbed by over half to $2.6bn since the agreement was negotiated in 1984, its exports to Israel last year are up by barely 7 per cent over the same period. At the same time, the US share of the Israeli market has declined significantly compared with that of its main competitor, the European Community.

Between 1985 and 1987 the US market presence went down from 20.2 per cent to 16.2 per cent, while that of West European companies rose from 45.5 per cent to 53.2 per cent. Preliminary figures for 1988 show that the deterioration has continued. Although the poor performance can be explained in part by foreign exchange fluctuations, following the appreciation of European currencies against the US dollar, so far there has been no US export improvement in volume terms, as might have been expected from the devaluation.

"I am really puzzled why the J-curve effect hasn't benefited us yet," said a US trade official. As at next January, EC exports to Israel will be given a further boost by the elimination of all duties on industrial goods; provided, that is, additional hidden import barriers are not erected in compensation for the reductions.

"We cannot accept Israeli (non-tariff) adjustments which cancel out the benefits we gain under our accord," warned Mr Gwyn Morgan, the European Community's ambassador to Israel. The EC has been asked to accept the same phasing out period for offending import barriers as the US has just negotiated, but is expected to press instead for an earlier deadline, of 1992.

Caught unprepared over these alleged breaches in both the letter and spirit of the FTA – often upheld by the outgoing Shamir Government as a shining example of the close ties between Israel and the US – officials in Jerusalem were reluctant this week to discuss either the Washington negotiations or the general health of the trade pact.

"I have nothing to gain from talking to you," was the only comment of Mr Marcel Shanton, one of the Industry and Trade Ministry's negotiators. Mr Max Livnat, director of foreign trade, confined himself to noting that at least Israel had been able to win a breathing space in which gradually to demolish the Tama tax.

In their more expansive, free-thinking moods, Israeli officials like to talk of the FTA with the US and their separate trade liberalisation agreement with the Community, which dates back to 1975, as interlinked bridges. By setting up in Israel, multinationals could profit from the tariff reductions enjoyed in both directions, they say. A US subsidiary could, for example, use its Israel base to export components or finished goods to the large Community market.

In practice, though, the dream remains a long way from being realised. Few US companies have taken advantage of the offer. And those that have, like Intel, the microchip manufacturer, complain loudly about the way in which the rules of the game have been changed since their arrival. Setting aside those Israelis who carry dual US/Israeli citizenship, there is not one expatriate American manager resident in Israel.

British aid offer for Bosporus bridge lapses

By Peter Montagnon, World Trade Editor

THE UK government's offer to provide £61m in aid to support construction of a third bridge across the Bosporus has lapsed because of the Turkish authorities' failure to award a contract for the deal.

The Department of Trade and Industry said yesterday the project, in which Mrs Margaret Thatcher, Prime Minister, showed a keen interest during her visit to Turkey in April, has now been put on the back-burner by the government of Mr Turgut Ozal.

Britain had been considered a leading contender for the new bridge following the political storm that broke out when it was undercut on the previous contract for a second bridge by a Japanese consortium heavily backed by official aid funds.

Trafalgar House, the UK company that was bidding for the project, said Trafalgar would almost certainly have to revise its £248m bid if Turkey were to revive the project.

Spending cutbacks in Turkey in the face of rampant inflation are thought to have been a major factor behind Turkey's decision not to press ahead.

EC cuts Saudi duty-free quotas

THE EC yesterday decided to halve the small duty-free quotas it has allowed Saudi Arabia on petrochemical exports into the Community, reports David Buchan from Brussels.

The move was proposed by the Commission as part of its formula for administering the Generalised System of Preferences (GSP), designed to aid Third World exports to industrialised countries.

According to this formula, quotas are first halved and then, in the second year, abolished for any products that amount to 20 per cent of total EC imports. Saudi Arabia has reached this threshold in seven petrochemical products.

Gatt negotiators agree Montreal agenda

By William Dullforce in Geneva

REFORM OF agricultural trade and intellectual property rights have emerged from five days of intensive preparatory negotiations in Geneva as the toughest items facing trade ministers, when they meet in Montreal on December 5.

Officials agreed yesterday on a 75-page report to the ministers covering progress made in the first two years of the General Agreement on Tariffs and Trade's Uruguay Round and spelling out points on which ministers will be asked to take action or give guidance.

Meeting at the half-way stage in Gatt's four-year exercise to extend free trade, the ministers will have to resolve differences in several of the 14 areas under discussion.

Differences persist on such matters as improvements to the functioning of Gatt, to its surveillance system and to its dispute settlement mechanism, which it had been hoped could be put in place next year.

On agriculture, the report contains a checklist of the outstanding issues. The impasse between the US and the European Community over Washington's demand that governments commit themselves to abolish all farm subsidies has made it impossible to agree on wording for ministers.

The chairman of the agricultural negotiating group will formulate his own report.

In the talks on intellectual property rights, the US drive to have new rules incorporated into Gatt has run into dogged Third World resistance. The impasse is reflected in the report to ministers which sets out four different programmes for continued talks, from the chairman of the negotiating group, Brazil, Switzerland and the US.

However, it is now almost certain that the industrial nations will agree to open up their markets in January to imports of tropical products, a key Third World objective.

It has been agreed that tropical products will be handled separately and not subjected to bargaining between different areas which will make up the final package of liberalisation measures.

A common list of products, on which the industrialised countries will abolish or cut tariffs and remove other import barriers, will be completed at Montreal.

It will not amount to the full liberalisation of the $60bn trade in tropical products, to which ministers committed their governments two years ago.

UK NEWS

Quality on line with electronics

Michael Smith studies working practices at Hewlett-Packard

WALK INTO the building in Bristol of Hewlett-Packard, the US electronics company, and at first you might think you had entered an open-plan office in which only managers and clerical staff worked.

The plant-pots on the desks and the absence of overalls are deceptive, however. In one corner a group of about 90 staff who in a traditional factory would be called blue-collar workers is assembling computer peripherals.

Unlike traditional manufacturing plants there is little noise, or dirt and grime. The pace of activity seems slower than in a shipyard or motor-producing plant; the atmosphere is more relaxed and less regimented.

Hewlett-Packard does not conduct itself in a traditional way. There are no unions. Manual and clerical staff have single-status employment conditions, are expected to use initiative and are rewarded financially for doing so.

The company sets out its people-related objectives in a document called The HP Way, in which it emphasises its rejection of extensive rules and procedures and its wish for people "to do their jobs right without constant directives."

One worker jokes that the tone of the document – which goes on to discuss "customer satisfaction second to none" and "honesty and integrity in all matters" – makes her want to reach for a sickbag when she reads it. However, its aims are broadly approved of by the workforce.

Mrs Ann Wherlock, 41, who assembles printed-circuit boards, shudders when she recalls her previous job in another electronics plant. "It was like school," she says. "We sat in rows and if we wanted to go to the toilet we had to put up our hands and ask."

Mrs Wherlock has one of the more varied jobs at the plant. She works in a room away from the main assembly area, operating five machines which insert components into circuit boards.

She says lack of strict supervision makes her perform better than at her former company. "We used to be timed on all the work we did. Here everyone works at different speeds and that is accepted. Because there is no system to beat and you are trusted, you work harder."

Those in the main assembly area perform more repetitive tasks. Every 15 minutes in a usual day Ms Jackie Doyle, 25, mounts a magnetic head on a tape-drive and tests, glues and clamp wires around it.

She prefers this to her previous job at a water-heater maker where she sat by a conveyor-belt and put screws into machines 158 times a day. None the less, she says it can be tedious and she sometimes feels the need to slip away for a cup of coffee.

This is more easily done at Hewlett-Packard than et a traditional plant because staff are not passing units down the line to each other. Instead, they prepare batches which are worked on by the colleague next in the process either later in the day or the next day.

However, the way the line works remains largely outside its workers' control. Tape-drive assembly-line supervisors recently experimented, to relieve monotony by allowing staff to exchange roles more often. This was abandoned because quality suffered.

Mr Jeff Palmer, a hard-disc line worker, says the flexible system was more enjoyable but he and his colleagues accepted the line supervisors' judgment that the failure rate was unacceptably high.

He is at least thankful that the supervisors have abandoned the practice of the line when the factory opened four years ago, whereby each labour unit took just seven minutes, half the time now. That, too, was abandoned because of the failure rate.

He says: "All I was doing was putting three bits on to a disc and then passing it on. It was too boring and, again, we were making too many mistakes."

In spite of the seemingly relaxed atmosphere of the assembly line, the company used a variety of methods to maintain pressure on staff to meet quality standards. This is considered at least as important as the production rate.

Each line records how many of the units fail to meet standards required and, although the name of the person who makes the mistake is not formally noted, the line workers know where responsibility lies.

Mrs Doyle says: "If you make a mistake, everyone knows about it. It is a matter of pride – nobody wants their work to lead to an entry on themistakes-list."

Mistakes can also affect pay. There is no collective bargaining at Hewlett-Packard. Instead, each employee's pay is set according to a variety of individual performance measures, including technical competence, job knowledge, teamwork and quality.

To try to harness individuals' full potential a system of team quality-control sessions has been set up. Each line of about 15 people meets weekly to discuss past problems and ways to avoid them.

Mr Chris Calder, 21, a line worker on the hard-disk assembly line, recently suggested changing the order in which plugs are inserted in assembly. Not only did this make his job easier, he says, but it might eventually help to make the company more profitable.

"If Hewlett-Packard does not make money I will be out of a job and I am planning a long-term career here," he says.

Market for TVs and VCRs set for record

By Terry Dodsworth, Industrial Editor

THE UK consumer electronics market is set for a record-breaking year in 1988.

Industry figures indicate that sales of colour televisions are likely to reach 4.5m units, and deliveries of video cassette recorder have been rising past the previous peak which was established in 1983.

The surge in demand this year is largely attributed by the industry to the general rise in consumer spending.

Sales have also been helped by the trend towards households owning more than one of a given electronic product.

A fall in prices at the cheaper end of the market has also boosted sales.

According to figures produced by the British Radio and Electronic Equipment Manufacturers' Association (Brema), colour television deliveries in the third quarter of this year amounted to 1.3m against 1.1m in the same period of 1987.

A large part of this rise was captured by imports, which had a market share of 47 per cent in the third quarter against 40 per cent a year ago, with sales of 609,000 units compared to 443,000.

This rise in imports was led in particular by a strong surge in sales of small screen televisions, where an increasing proportion of the market is being served by producers from South Korea, Singapore, Hong Kong and China.

The strength of demand in this area contributed to a negative trade balance in televisions of £12.5m overall, with imports amounting to £62m in the quarter against against exports of £49.5m.

Video cassette rcorder sales were up by 9 per cent in the quarter to 697,000 against 640,000 in 1987, but in the first nine months of the year, deliveries have risen by 22.6 per cent to 1.58m units.

Imports accounted for 69 per cent of deliveries in the nine months, largely because of the strength of the market for cheaply priced basic products made in the Far East.

Brema says that prices have fallen on average since September last year from around £360 to £320, a decline which reduced the financial trade deficit in VCRs despite the strength of imported unit sales.

According to Brema, the trade imbalance on VCRs stood at £66.1m in the in the first nine months of 1988 against £132.3m in the same period of 1987.

UK NEWS

School closure plans 'upset by right to opt out'

By David Thomas, Education Correspondent

MANY LOCAL authorities in England and Wales are operating an unofficial ban on school closures and other forms of school reorganisation because of the recently granted right for schools to opt out of local authority control, it was claimed yesterday.

The allegation was made by the two local authority associations responsible for education. It came on the eve of Government proposals, to be unveiled in today's Queen's Speech to Parliament, that schools in Scotland should be allowed to opt out. Schools taking the option will be known as self-governing. The idea has already caused great controversy in Scotland.

A moratorium on school closures could have a significant impact on local authority finances. The Audit Commission, the local government watchdog, issued a report in the summer criticising local authorities for wasting £250m a year, largely by failing to close schools quickly enough.

Mr Neil Fletcher, who chairs the Association of Metropolitan Authorities' (AMA) education committee, said "a kind of paralysis" akin to planning blight was affecting school closure or reorganisation plans.

Mr Fletcher, speaking on the publication of an AMA booklet putting the case against opting out, added: "It is in no one'a interest to bring forward a radical plan."

The association believes that local authorities will wait to consider the Education Secretary's response to the first opting out requests before proposing further school closures. Given the lead times involved, this means delaying closures which might have taken place in 1990-91.

Local authorities are already likely to fall some 50 per cent short of the Government's target of eliminating 430,000 school places in the three years from 1987, according to the AMA.

The Association of County Councils agreed that opting out was also delaying the closure and reorganisation plans of its member authorities.

The Grant Maintained Schools Trust (GMST), a body set up with Government support to advise schools on opting out, confirmed yesterday that schools threatened with closure were the most interested in taking the option. However, it also issued a survey suggesting that initial interest in the procedure was widespread.

Mr Andrew Turner, director of the GMST, said that he had received 458 initial inquiries abont opting out. However, only about 15 schools have so far begun the opting out process.

Two thirds of these inquiries were abont comprehensive schools, with 11 per cent about grammar schools and 8 per cent about either primary or middle schools.

More than half of the inquiries have come from senior staff, mainly headteachers, with a fifth from school governors and 17 per cent from parents.

Grant Maintained Schools: Independence or Isolntion? AMA, 35 Great Smith Street, London SW1P 3BJ.

Building societies warned over 1992

By David Lascelles, Banking Editor

BUILDING societies were warned by the Governor of the Bank of England yesterday not to rush into continental Europe as the market was liberalised in the run-up to 1992.

Mr Robin Leigh-Pemberton said at a conference on international housing finance that the lifting of European Community barriers would create greater opportunities in the home loan market, but exploiting them could be "a slow process."

He said: "Housing markets across Europe are very different from one another – different in terms of the mortgage product and methods of funding, but also in terms of cultural and political attitudes to owner occupation, social policy on housing, taxation and historical experience – particularly in relation to house prices."

The Governor continned: "No one here will be surprised to hear me say that the best way to hasten into these new market opportunities may well be to do so slowly."

He believed building societies were showing welcome signs of caution in approaching another opportunity: conversion into full banking status. He said that the stock market collapse had brought a big flow of deposits back into the societies and shown them that the grass was not always greener on the other side of the fence.

There were also dangers in building up an unsecured lending business. He would welcome building societies who wanted to become banks, he said, "bnt I shall not be offended if they are few in number."

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IRA shooting inquiry to hear ruling on evidence

By Our Belfast Correspondent

A HIGH Court judge in Northern Ireland is expected to rule today on whether unsworn statements by police officers involved in the killing of three IRA men in County Armagh six years ago can be admitted as avidence at the inquest in Craigavon.

Lawyers acting for the family of one of the dead men, Mr Eugene Toman, yesterday applied for a judicial review into the decision of Mr James Elliott, the coroner, to admit as evidence the statements of the three officers who fired tha shots which killed Mr Toman, Mr Sean Burns and Mr Gervase McKerr.

Mr Reginald Weir, barrister, told the court that the statements should not be read at the inquest as "nothing could be more calculated to give the jury a one-sided and distorted account of the incident."

Mr Weir submitted that the proper course of action would be for the policemen – who had already been tried and acquitted of the murder of Mr Toman and who appeared to have nothing further to fear – to give their evidence on oath.

However, Mr David Hunter, barrister, opposing the application for a judicial review, said that the police officers were entitled to exercise their right not to attend. Mr Hunter said that while they had been acquitted of Mr Toman's murder, they could still face charges in connection with the incident if new evidence was adduced.

The Craigavon inquest has been adjourned pending the outcome of the High Court hearing.

Mr Toman, Mr Burns and Mr McKerr were shot dead in a police undercover operation near Lurgan six years ago. Their deaths prompted the investigation opened by former Manchester deputy chief constable Mr John Stalker into allegations that tha Royal Ulster Constabulary were operating a "shoot-to-kill" policy in the area.

● Sinn Fein, the political wing of the IRA, has formally called on the British and Irish governments to abolish tha Anglo-Irish agreement – which gives Dublin a say in the affairs of the north – and initiate a constitutional conference as a prelude to British withdrawal from Northern Ireland.

The party has sent separate letters to Mr Tom King, Northern Ireland Secretary, and Mr Charles Haughey, the Republic of Ireland'a Prime Minister, and expects their views to be taken into account in the review of the agreement.

It is understood to be the first time that Sinn Fein has made detailed submissions to both governments for several years.

Third European components depot to be sited in Britain

Volvo plans £16.3m investment

By Kevin Done, Motor Industry Correspondent

VOLVO, tha Swedish automotive group, is to invest £16.3m in the UK to develop a third European truck and bus parts distribntion centre to supplement existing operations in Sweden and Belgium.

Initially the facility will be created to handle parts warehousing and worldwide distribntion for Leyland Bus, the leading UK bus manufacturer, which Volvo acquired in March this year.

Mr Anders Svedberg, president of Volvo Parts Corporation, said that further substantial investment would later expand the centre's role to cover Volvo trucks and buses sold in the UK and other international markets.

Together with Leyland Bus, Volvo currently controls almost two thirds of the UK bus market. It also has a share of close to 17 per cent of the UK heavy truck market (over 15 tonnes).

The parts facility will be located on a 30-acre greenfield site at Magna Park, Lutterworth, Leicestershire, in the east Midlands and at the centre of the UK motorway network. It will form a part of Gazeley Properties' 500-acre National Distribution Development site.

Work is to start immediately and tha first phase of the development for Leyland Bus will begin operations in January 1990.

The Leyland Bus parts business, which has an annual turnover of around £40m, is at present handled by DAF, the Dntch commercial vehicle manufacturer and one of Volvo's main competitors in West European bus and truck markets.

This situation, which arose following the takeover by DAF of the Layland trnck operations in early 1987 and the suhseqnent takeover of Leyland Bus by Volvo earlier this year was clearly untenable for the Swedish concern.

"It is not very successful heving one of your major competitors distribnting your parts for you," said Mr John Arkell, managing director of Leyland Bus. "We could not let a contractor run the parts business, DAF is a competitor," said Mr Svedberg.

The takeover of Leyland Bus has more than doubled Volvo's share of the UK bus and coach market to around 65 per cent. Leyland Bus said yesterday that its share of the UK market for large bnses and coaches over 7.5 tonnes had risen to around 35 per cent this year from 31 per cent in 1987. Volvo's share last year was also around 31 per cent.

The UK bus and coach market is finally recovering after *many years of steep decline in* which sales plunged from more than 5,500 units in 1980 to less than 1,500 units in 1987.

Leyland Bus said yesterday that its registrations in the UK would increase to 750-800 units this year from 440 in 1987, while output would increase from 1,200 last year to around 1,500 units in 1988.

Consortium proposes fourth country town

By Andrew Taylor, Construction Correspondent

CONSORTIUM Developments representing 10 of Britain's largest housebuilders yesterday applied for outline planning permission to build a small country town of about 1,500 homes alongside the A10 road north of Cambridge.

The new settlement to be called Westmere would occupy abont 350 acres of farmland, about four miles from Ely.

The consortium started in 1983 comprises Barratt Developments, Beazer Homes, Bovis Homes, Ideal Homes, Laing Homes, YJ Lovell, McCarthy & Stone, Tarmac, Wilcon Homes and Wimpey Homes.

Westmere is the fourth country town to be proposed by the developers. None has so far been built.

The consortium's first scheme at Tillingham Hall near Grays, Essex, was rejected by Mr Nicholas Ridley, Environment Secretary, after a public inquiry.

Plans for a new country town at Foxley Wood, north east Hampshire comprising 4,800 homes is awaiting the outcome of another public inquiry. A third inquiry into the consortium's plans to build 6,000 homes at Stone Bassett, Oxfordshire, is dne to start next Tuesday.

House prices set to 'hibernate' across Britain this winter

By Andrew Taylor, Construction Correspondent

THE SLOWDOWN in house prices is continuing to spread and will soon be affecting most of the country according to a survey published today by the Royal Institution of Chartered Surveyors.

The institution said the proportion of estate agents reporting static or falling house prices doubled last month.

It said the introduction of higher interest rates and the ending of multiple mortgage tax relief from August 1 had served to tranquillise the housing market.

As a result a dozing housing market over much the country looked set to hibernate this winter, said the institution.

The decline in house price inflation was not yet universal. Prices in Yorkshire and Humberside, for example, continued to race ahead.

Almost 43 per cent of 188 estate agents questioned nationally last month, however, said that prices had remained static during the three months to the end of October. Eight per cent said prices had fallen.

It was the first time for 2½ years that the proportion of agents reporting static or falling lower prices had been more than 50 per cent.

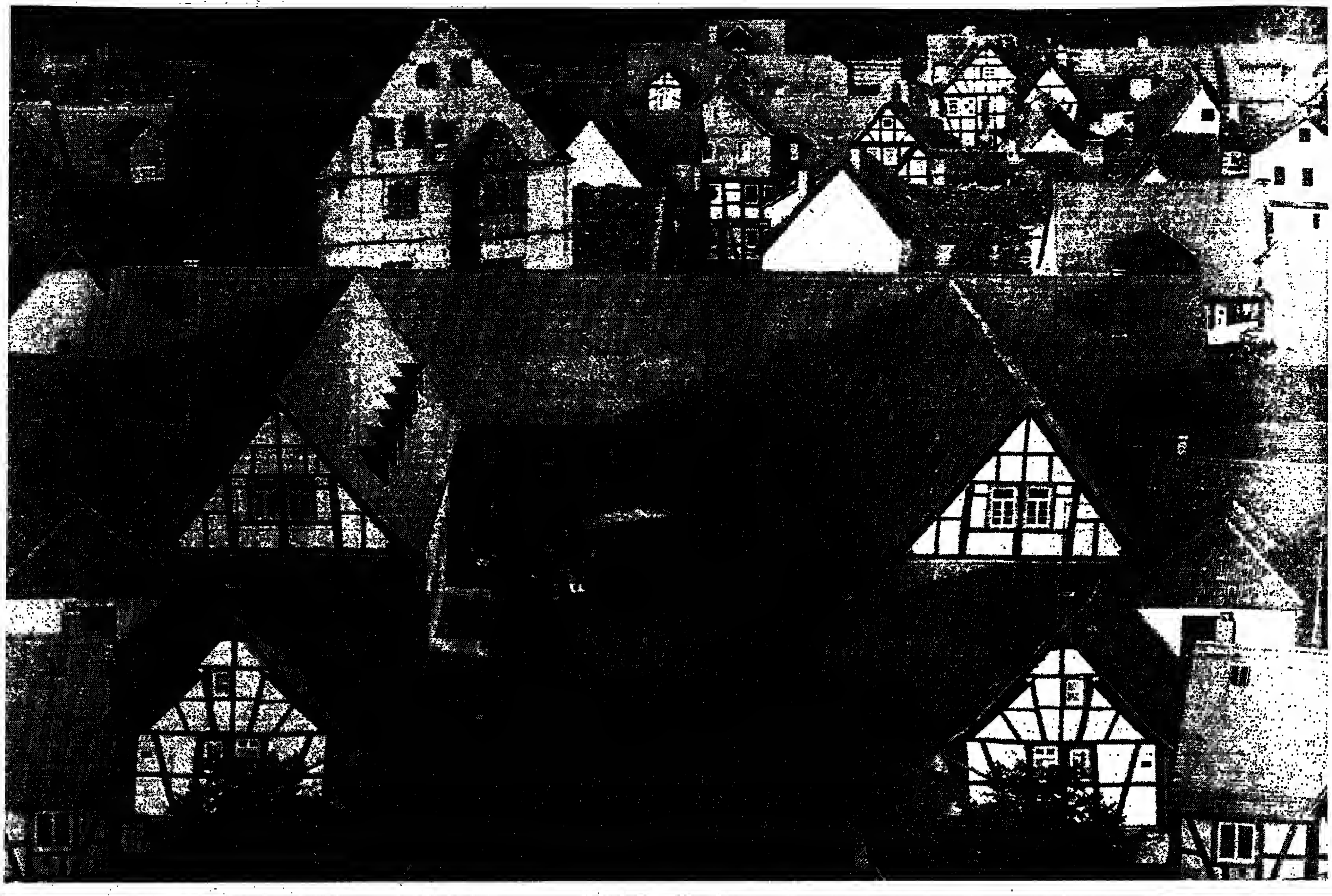
Mr Alan Chart of estate agents Alan de Mald in Tonbridge, Kent said: "Asking prices across the range are experiencing falls of around 10 per cent to 11 per cent. Until there are stable interest rates the situation will not improve."

Other agents in south east England said prices were stabilising rather than falling. Sales, however, were lower and buyers had become more choosy.

In central London prices have have been under pressure for several months. One agent in Newham, east London said: "House prices have fallen back slightly from the peak in July. A number of applicants have delayed buying in the hope that prices will continue to fall."

Prices are still rising in some areas further north. In Yorkshire and Humberside almost a third of agents last month reported house price increasing by more than 8 per cent in the previous three months. Only 6.5 per cent of agents said prices were static and none reported price falls.

The institution said most agents expected the market to pick up again in spring.



UK NEWS

Leon Brittan says result of independence for Scotland would be 'devastating'

Tories 'must put case against nationalists'

By James Buxton, Scottish Correspondent

MR LEON Brittan, the former Home Secretary who is shortly to become the UK's senior European Commissioner, said yesterday that Conservatives had to argue the case for the union of the United Kingdom, because if Scottish Nationalists won independence for Scotland "the consequences would be devastating."

Mr Brittan, who was in Edinburgh, was unrepentant about his speech at the weekend in which he said that if a majority of Scots "seriously and on a sustained basis" *favoured independence*, then Britain could not deny them self-determination.

His remarks follow the victory of Mr Jim Sillars, the Scottish Nationalist Party candidata in the recent Govan by-election where the party overturned a previous Labour majority of 19,500.

The SNP immediately seized upon Mr Brittan's remarks as a crucial admission by a senior Conservative that the will of the Scottish people should be sovereign. The SNP recently adopted the proposition that Scotland should seek independence as a fully fledged member of the EC in the post 1992 open market.

Mr Brittan said *yesterday* that he made his remark "to open up the debate and flush out the realities. People really have to make a decision if they want the UK to continue," he said.

This result, Mr Brittan said, gave the Conservatives the challenging task of translating defeat for the Labour Party into support for the Conservative Party in Scotland.

Labour's defeat at Govan showed that its policy of seeking the devolution of power to a Scottish assembly was discredited. Tha Conservatives had to fight the battle for the union with England and Wales and they would win it, he said.

If a majority of Scots wanted independence they would have to demonstrate it "unequivocably, over a period of time." A single by-election or opinion poll would not be enough, nor "perhaps even a single general election." It was not for him to set out a blueprint for something he would fight passionately against, but if it made people think about it, so much the better.

He said that the SNP's policy of seeking to make Scotland an independent member of the European Community was not in the interests of the Scottish people or of the UK.

It was a "fairy tale", he said, for the SNP to think that Scotland could get all the benefits and none of the costs of separate EC membership.

Guinness case to be heard at Old Bailey

By Raymond Hughes, Law Courts Correspondent

FORMALITIES were commenced yesterday for the transfer from Bow Street magistrates court in London to the Old Bailey of the prosecution of the seven men charged with criminal offences in connection with the takeover by Guinness, the drinks and leisure group, of Distillers, the whisky company.

The Serious Fraud Office signed a notice under the 1987 Criminal Justice Act certifying that it was an appropriate case for transfer.

The Act provides for such a notice to be given if the evidence "would be sufficient for the person charged to be committed for trial; and reveals a case of fraud of such seriousness and complexity that it is appropriate that the management of the case should without delay be taken over by the Crown Court."

The seven men are Mr Ernest Saunders, former Guinness chairman, Mr Gerald Ronson, chairman of Heron Corporation, Sir Jack Lyons, the financier, Mr Roger Seelig, the former Morgan Grenfell corporate finance director, Lord Spens, former head of corporate finance at the merchant bank Henry Ansbacher, Mr Anthony Parnes, a former City stockbroker, and Mr David Mayhew, senior corporate finance partner of stockbroker Cazenove & Co.

The Guinness case is the first time the transfer procedure, which removes the need for a committal for trial hearing before magistrates, has been used.

There will be a final hearing at Bow Street next Monday at which the transfer formalities will be completed.

The Old Bailey trial is not expected to start before next summer.

Mr Saunders faces 46 charges, Mr Ronson 10, Sir Jack Lyons 11, Mr Seelig 19, Lord Spens four, Mr Parnes 14 and Mr Mayhew four. All are on £500,000 bail.

Mr Saunders was arrested on May 6 last year, Sir Jack Lyons on October 8, Mr Ronson on October 13, Mr Seelig on October 15, Lord Spens on March 10, Mr Parnes on March 24 and Mr Mayhew was arrested on April 7.

EC nuclear safety inspectorate urged

By John Hunt, Environment Correspondent

GOVERNMENT policies on the nuclear industry and on the control of water pollution were criticised yesterday by Mr Stanley Clinton Davis, the EC Environment Commissioner, who leaves his post at the and of the year.

He was also severely critical of the past record of British industry and of the Government in taking adequate measures to protect the environment generally.

Mr Davis, a former minister in the Labour Government, advocated the creation of an EC nuclear inspectorate to control safety in member conntries.

He cast donbt on Government's latest proposal for a "nuclear tax" on consumers to pay the cost of developing new nnclear power stations after privatisation.

Speaking at a London press conference marking the end of his four-year term in Brussels, he said such a scheme would involve hnge sums of money and be very sensitive politically.

"I believe that questions of disposal of nuclear waste have to be more satisfactorily dealt with before embarking convincingly on a policy of that kind," he said.

It was much more practical to talk in terms of increasing the programme of converting existing coal-fired power stations to cut emissions.

Mr Davis also took issue with recent statements by Mr Nicholas Ridley, the Environment Secretary, that nuclear power would have to be play a large role in order to rednce power station emissions that could lead to tha overheating of the earth's atmosphere, the so-called greenhouse effect.

"Why don't we hear from governments much more about energy conservation than talk about wholesale, massive development of a nuclear industry which will have immense political problems attached to it?" ha asked.

He took industries and Governments to task for slowness in reacting to enviromental questions such as acid rain, the greenhouse effect and dumping at sea.

BT's overseas chief to head Citicorp technology business

By Alan Cane

CITICORP, the largest US banking group, has appointed Mr John King, managing director of British Telecom's Overseas Division, to head its international information technology hnsiness which includes Qnotron, the Los Angeles-based share price vendor.

Mr King, 55, will take up the positions of managing director of Citicorp's Information Business International and chairman of Quotron Systems International on December 1, this year. He played a major role in the awareness campaign which lead up to the privatisation of BT.

Citicorp'a information technology division, which turned over some $300m last year and is growing at 33 per cent a year, inclndes, Quotron apart, the software house Securities Industry Software (SIS), which develops securities accounting systems, Global Electronic Marketing, a personal computer based information service for executives and Fame, a graphics system for analysing historical financial data.

Mr King will have responsibility for marketing Citicorp's information services worldwide outside North America.

Quotron, with some 100,000 terminals installed in 23 countries is reckoned to have 60 per cant of the US market for on-lina share prices. The decision to establish the headquarters of the division in the UK and Mr King's appointment is seen as evidence of Citicorp's long-term determination to establish Quotron as a leading international quote vendor.

It faces fierce competition from Reuter, the leading European quote vendor, and from the US companies Telerate and Antomated Data Processing.

Mr King said he had been invited to join Citicorp by Mr J. David Hann, chief executive of Qnotron Systems, witb whom he had worked in the 1970s at ITT. He believed Quotron's international business could ontpace its domestic growth by 1995.

He had parted amicably from BT, but believed its concentration on domestic issues was detracting from its international efforts. BT bas aince decided to merge its overseas division with British Telecom International under Mr Tony Booth.

British Coal to raise redundancy payouts

By Maurice Samuelson

BRITISH COAL is preparing higher redundancy pay settlements as part of a scheme to squeeze its remaining manning levels by nearly a quarter in the next 18 months.

By raising existing redundancy rates the corporation hopes to persuade up to 20,000 of its 87,000 underground workers to accept voluntary redundancy by March 1989.

This would boost British Coal's efficiency drive and help to defend its domination of the UK power station market against competition from imported coal in the 1990s.

The cost of this excercise will further strain its balance sheet and hamper its efforts to improve its overall profitability, but only until the Government restructures the corporation's balance sheet by wiping out its big debt repayment charges. This is expected to happen within two years.

The improved redundancy payments, details of which are being worked out, will be aimed at men in their late 30s and 40s. This is the senior generation of miners now tbat almost all men older than 50 have left the industry and the average age of miners has fallen to 34.

Tbe corporation officially refuses to admit either the scale of the likely redundancies or plans for fatter severance payments, describing reports about them as "speculative."

Botb are confirmed, however, by senior managers, who say that the latest jobs shakeout is to be accelerated because of last year'a abrupt worsening in the corporation's trading position.

Despite turning in its best trading profit for more than 20 years and a 75 per cent boost in productivity since 1985, the corporation has been battered by a price freeze triggered by falling oil prices, inflationary pressure on wages and higher interest charges.

The corporation has also discovered in recent weeks that the Government's proposals to encourage competition in the privatised electricity market – British Coal's biggest market – are likely to be more radical than anticipated. There will thus be a tighter squeeze on the price of power station coal, which accounts for half the electricity producers' operating costs.

Since the end of the 1984/1985 coalminers' strike, generous redundancy terms have helped to cut the industry's total workforce to 107,000 from 114,000.

After the strike, older men were being paid sums of £50,000 and more to quit after a life in the pits. At first the casb was provided directly out of the Government's Redundant Mineworkers Payments Scheme.

Under present sevarance terms, financed from Britisb Coal's own balance sheet, men can receive up to £25,000 in addition to their state redundancy remuneration.

High Burgundy prices confirm 1988 vintage

By Edmund Penning-Rowsell
in Beaune

BURGUNDY prices were considerably higher than for the last two years at the weekend's Hospices de Beaune wine auction, the first public indication of the quality and price trend of the new Burgundy.

The prices confirm the quality of the ample 1988 red burgundy vintage, which is considered the best since 1985.

The average price per red cask rose by 34.49 *per cent to* FFr34,338 ($5,820) and the most expensive Cnvées were the Pommard Dames de la Charité (FFr57,000 a cask), Mazis-Chambertin Madeleine Collignon (FFr56,000) and Corton Dr Peste (FFr48,000).

The average price of whites, less regarded owing to overproduction, fell by 8.57 per cent but this would have been less had it not been for a saleroom battle for four casks of Corton Charlemagne François de Salins between Sontori of Tokyo and Mr Robert Clapp, head of Select Appointments, the international employment agencies.

Mr Clapp won with a record price of FFr 156,000 a cask. The next most expensive white Cuvées was the Corton Vergennes at FFr 68,000.

Swiss and Japanese were among the most active buyers.

Bank claim settled

By Raymond Hughes

A HIGH Court damages claim by National Commercial Bank, Saudi Arabia's biggest bank, against Citicorp Investment Bank, over a contract for the sale of £27m of equity warrants has been settled out of court.

The Saudi bank started legal proceedings in August last year and the case bad been fixed *for trial* in the Commercial Court this month.

Both sides have declined to disclose the terms of the settlement.

National Commercial Bank alleged that, after agreeing in June last year to buy 9,250 warrants, Citicorp repudiated the agreement.

EUROPEAN BUSINESS

Fauroux calls for transitional protection of sensitive sectors

By Guy de Jonquieres

THE EUROPEAN Community should provide transitional trade protection for "sensitive" economic sectors such as agriculture, motor vehicles and textiles as part of its planned arrangements for a single market, said Mr Roger Fauroux, the French Minister of Industry and Regional Planning.

He told the Financial Times Conference on "Europe 1992 and Beyond" in London that dismantling existing trade protection too hastily would drive many people and companies in those sectors into bankruptcy.

"Under these conditions, European authorities would face tough demands for protection from the economic actors and probably a large movement of public opinion against Europe," he said. "This is an outcome that nobody wants. Don't wake sleeping dogs."

Trade imbalances between industrialised countries could no longer be explained simply by differences in national comparative advantage or in the competitiveness of businesses. They could only be explained by restrictive trade practices.

Europe would remain economically open if other parts of the world offered reciprocal market access. However, in the absence of such reciprocity, Europe must make a firm response.

Where European industry was unable to compete internationally on fair terms, the European Commission was justified in setting up transitional restrictions and import restraints, he said. However, he did not believe the Commission would end up accepting the external trade position proposed by the EC's most protectionist member states.

Progress towards the creation of a single market would become more difficult as 1992 approached, Viscount Etienne Davignon, a director of Societe Generale of Belgium and a former European Industry Commissioner, warned.

"We have done the easy part, catching imagination that by 1992 there will be a number of changes. But the elements that will influence the changes as we move year by year towards 1992 will become more difficult. One is going to see more reactions against 1992 in 1989 than in 1988."

EC governments should remember that in signing the Rome Treaty, they agreed to share sovereignty, Mr Peter Sutherland, the EC Competition Commissioner, said. That was particularly true in competition policy, which "puts the finger of the Community institutions on the nerve of sovereignty."

Those like Mrs Margaret Thatcher, the British Prime Minister, who warned of excessive regulation from Brussels, failed to appreciate that firm action by the Commission was needed against national intervention and subsidies, which were the real obstacles to EC-wide deregulation.

The Commission planned to use its existing powers more vigorously to police nationalised industries. It had already challenged the monopoly supply of telecommunications terminals and aimed to take action in telecommunications

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services and other areas.

Mr Geoffrey Whalen, managing director of Peugeot Talbot Motor Company and president of the Society of Motor Manufacturers and Traders, suggested the EC should explore the possibility of negotiating with Japanese motor manufacturers a voluntary agreement limiting their exports to the EC at close to current levels.

In return, the EC should allow the Japanese freely to set up plants within its borders, provided they agreed to achieve 80 per cent local content within a predetermined period. The cars produced could then be sold freely throughout the Community.

Mr Whalen said that when Japanese motor manufacturers entered an agreement, they were scrupulous about observing it. However, he admitted that the prospects of progress on the lines he had proposed looked "pretty remote."

Spain's high growth rate, large influx of foreign investment, lower inflation rate and reduced public sector deficit reflected favourable expectations among Spanish firms about the future of the single market, Mr Claudio Aranzadi, the Spanish Industry Minister, said.

Efficiency demanded the dismantling of barriers between EC contries be pursued in a pragmatic and careful way. In some cases, such as energy, the opening of national markets had resulted in greater inefficiency in the distribution of EC resources. Measures were also needed to reinforce "the economic and social cohesion" of the EC once the single market was achieved.

The single market was unlikely to produce genuinely pan-European universal banks in the short to medium term, according to Mr Antoine Jeancourt-Galignani, chairman of Banque Indosuez. The main players were likely to remain national universal banks with solid control of their home markets.

This was because of tremendous "political and cultural resistance" to large cross-border acquisitions in banking. Supervisory authorities in five bigger EC countries had already indicated that they would oppose such acquisitions, while many institutions could not be bought because they were government-owned or had a co-operative structure.

This situation might change in time if a large bank ran into difficulties and a takeover was unavoidable. But for the time being, the prospect was for increased banking concentration at a national level.

Bangemann looks to federalist EC

By Guy de Jonquieres

THE EUROPEAN Community must evolve gradually towards a more federal structure, in which the power of the Council of Ministers was offset by a stronger European Parliament, Mr Martin Bangemann, the West German Economics Minister, said yesterday.

Mr Bangemann, who will become a European Commissioner next January, told the FT conference that the Council was subject to no real EC parliamentary or democratic controls. The rights and influence of the European Parliament should be strengthened as a preparation for eventual economic and monetary union.

He agreed with those who criticised "the spectre of a centralised super-bureaucracy" in Brussels. But he did not believe such a threat really existed because there was no lack of vigilant guardians of national liberties in EC member states.

Nor could he imagine a harmonised European culture, because Europe's strength lay in its cultural diversity. This variety made it absolutely necessary for the EC to develop along federal lines. That would also guard against excessive centralisation of EC power.

Mr Bangemann strongly supported harmonisation of EC economic policies and the creation of an autonomous European central bank committed to price stability. However, he said that excessively rapid harmonisation would reduce the competitive advantage of less developed regions.

The Community would damage its own interests if it erected barriers against imports or investments from third countries. He expressed concern that this view was not fully shared in Brussels and some EC capitals.

MANAGEMENT: Small Business

David Almond of Spectronics Micro Systems: tripling production capacity *Alan Harper*

How to cope with rapid expansion

Charles Batchelor on the exhilaration and strain of growth

When David Almond joined Spectronics Micro Systems (SMS) as managing director, the Cambridge-based manufacturer of mobile data terminals had annual turnover of £400,000. Now, 18 months on, SMS is pitching for a single order worth around £800,000 and even if it is unsuccessful, turnover seems set to double to nearly £1.2m in the current year.

"This order would mean our tripling the size of our production capacity," says Almond. "My production manager was complaining to me he had a headache because he had spent the whole weekend worrying about it. You ask yourself: 'Should I quote for an order this big?' You have to. It is the only way you are going to grow."

But production capacity is not the only issue to be thrown up by SMS's rapid growth. Almond has also been spending time on recruiting new staff and on persuading his financial backers that supporting a rapidly growing company requires more than money and turning up to board meetings. "I want them to give me more of their time," he says.

SMS is just one of many small companies to discover that the exhilaration of winning large orders and of expanding at a rapid pace can bring with them enormous strains. Fortunately for managers like Almond, more and more attention is now being paid to the problems of the growing company after a long period in which government programmes and training initiatives were targeted on the start-up business.

"The major problem now is not the small company but the small-to-medium sized business and how to manage that stage of growth," says Peter Wilson, a partner in New Enterprise Development, a London-based training group.

"It is clear to us that the second stage in creating an enterprise culture has to be a focus on growth," notes Stan Metcalfe, chairman of a study group examining the barriers to growth for smaller companies which has been set up by the Advisory Council on Science and Technology (ACOST).

"It is not enough to spin off increasing numbers of small firms if they are not of sufficient size to throw their weight around in international markets," says Metcalfe. He is concerned that while the number of UK companies employing up to nine people has increased strongly in recent years, firms employing 50 people or more have declined in number since the late 1970s. Fewer businesses, it seems, are managing to grow.

The most obvious bottleneck for the expanding company is the physical limits imposed by the number of machines it has and the size of its factory.

Romag Holdings, a Blaydon-on-Tyne-based company which makes specially toughened glass products, increased turnover by 46 per cent to £5m last year. Romag Glass Products, a subsidiary making glass for computer screens, has grown even more speedily after winning a large order from Unisys, the US computer group. Glass Products' turnover has leaped from £60,000 a month to £250,000, straining production capacity to the limit.

But to win the order, Romag first had to prove to the Americans that it could do the job and that its quality control standards were high. The problem was that it did not then have the manufacturing capacity in place and could not afford to install it until it was sure it had clinched the order.

Glass Holdings convinced the Americans that its existing operations conformed to recognised quality standards but it then had to install a clean room and wait nine months for a new autoclave (for heat-treating glass) to be delivered from West Germany before it could fully gear up production.

While waiting for delivery from Germany, the company had to ferry glass to another group factory 10 miles away where it was able to use an existing autoclave which was not in use overnight. "We went through a three-month period under intense pressure to meet our delivery dates," recalls John Kennair, managing director.

But the key issue facing the growing small firm was managing the move from being an organisation where one person, the owner-manager, takes all the decisions, to one with a professional management structure in which decision-making is shared among a group of managers.

"The owners of small businesses sit in the middle of a spider's web with the spokes radiating out from them," says Sue Bates, a director of New Enterprise Development. "You can often see this in the physical lay-out of the company. They have to get out of the spider's web."

This is often very difficult for the company founder who thrives on responding to crises; is reluctant to relinquish control; and is suspicious of the bureaucracy he believes will result from setting up a management structure.

In fact, says Bates, management organisation in small companies does not have to be unduly formalised. As long as it is made clear to managers what the company's priorities are, how people are expected to do things and where the managers fit into the picture the system should work quite well.

Ian Fletcher, joint founder of ABI Electronics, a Barnsley-based manufacturer of equipment for testing printed circuit boards, has adopted a clearly defined management structure for his fast-growing business. Turnover in the six-year old company is expected to double to £1.5m this year with a further rise to £2.5m planned for 1989.

Fletcher appointed four managers – responsible for sales, production, technical matters and marketing – to his 21-person company 12 months ago. He has set out to create clear channels of responsibility through the managers to himself and his wife Alison, who is his co-director. "We feel very strongly that everyone should have one person to report to," he explains. "There is nothing worse for an employee than to have someone over-rule what someone else has asked him to do."

One casualty of the previous, unco-ordinated method of working had been export enquiries. They did not come in very often but when they did they were put into a tray and forgotten since no-one had direct responsibility for them. They are now handled by the marketing manager.

Fletcher is convinced that the major constraint on his company's growth has been the lack of management skills. He has been considering establishing a factory overseas for some time but has been deterred largely by a fear that he would be unable to find the right people to manage it. With a clearer management structure now in place in the UK he is looking at possible locations in three different countries.

Fletcher appointed two of his four new managers from within and recruited two from other small companies. But it is not always easy for a small company to attract good quality managers who can not only handle the current stage of development but who can tackle more challenging problems as the company grows.

"The essential problem facing smaller companies is the supply of good managers," says Stan Metcalfe.

At SMS, David Almond wonders how he can attract a high-flying accountant to handle the rapid rate of growth when he cannot afford to pay the £25,000 salary such a person would expect.

"It is difficult for the very small company to offer an attractive package," says Kennair. "We now have a share option scheme and profit-sharing for the directors of all our subsidiary companies but you cannot do that before you reach a certain size." Small companies also face the difficulty of not being able to offer a clear career structure to a manager. In compensation, though, they do offer young managers more responsibility over a broader range of tasks and more direct links with the directors than would be possible in a large company.

Even when the small business owner has found a larger factory, geared up production and recruited a new management team his problems are not over – for growth is a continuous process.

"They have to be aware that the organisation they shape cannot be forever," warns Sue Bates. "Just as they have got it right the business will grow and they will have to do it again."

Self-help backed to cut crime that hits inner city business

By Alan Pike

The extent of the link between crime and business in the UK is anybody's guess – it is a subject best avoided in polite City company.

What is certain, however, is that crime can deter business and that this is a particular problem for small businesses in inner-city areas. High crime rates equal high insurance rates. In some areas which gained a notoriety earlier in the 1980s because of inner city riots, small business proprietors find it impossible to obtain insurance at acceptable rates and simply trade uninsured.

It is a reasonable assumption – and one which worries the Government – that some potential entrepreneurs abandon ideas of starting businesses when the insurance problem becomes yet another hurdle to overcome. So Ministers are anxious to tackle the issue at root by bringing down crime rates, particularly in inner cities, to make these areas more attractive to business people and insurers alike.

John Patten, the Home Office Minister in charge of crime prevention, last week announced that six more locations are to join the Government's Safer Cities programme which began in Wolverhampton, Bradford and Nottingham. The newcomers are Birmingham, Coventry, Hartlepool, Rochdale, and the London boroughs of Lewisham and Tower Hamlets.

The aim of the Safer Cities programme is to reduce crime and create an atmosphere in which economic enterprise and community life can flourish. A small Home Office-funded team is set up in each of the areas, supported by a steering committee from the police, local authorities, business community and voluntary organisations, to design and implement plans of action to tackle local crime problems.

Safer Cities is designed to tackle all crime which undermines the quality of local life, not just business crime, but the Home Office has produced guidance for businesses on the particular steps they should be taking.

In addition to helping to finance crime prevention projects, traders and industrialists in some areas have set up Business Watch programmes on similar lines to the now-familiar Neighbourhood Watch schemes in residential areas. These enable business people to co-ordinate efforts to keep an eye on each other's premises on industrial estates, reporting anything suspicious to the police.

Many business people, either directly or through chambers of commerce, serve on crime prevention panels. There are about 430 panels around the country, with business people and representatives of other sections of the community which are particularly affected by crime regularly meeting the police to develop programmes to combat it.

The Government is keen that business people should play a prominent part in crime prevention projects. By doing so, says the Home Office, they not only improve the quality of life for their employees and customers but have a chance to enhance their prestige in the local community.

But much of the fight against business crime has to begin at the level of the individual business.

Steps which the Government wants to see businesses taking range from better protection of property – losses from shoplifting alone are estimated to have cost more than £1bn last year – to protection of staff.

Employers have a statutory duty under the Health and Safety at Work Act to protect staff against violence which is reasonably foreseeable, and the Government is urging them to meet employees and trade unions and decide how this can best be done.

At one end of the scale, business security is becoming ever more sophisticated, with video camera surveillance, electronic entry systems and similar devices. At the other end, some of the Home Office advice to small businesses may seem utterly obvious – like reminding office staff that there is no point in going to elaborate lengths to ensure that the petty cash tin is always kept locked if there is nothing to stop someone stealing the locked tin.

Cases reported to the police every day show that in many workplaces such basic points do not sink in until it is too late.

'Practical ways to crack crime' is available from the Home Office, PO Box 2000, London NW9 6BN. Tel: 01-200 1000.

In brief...

A guide to the problems of starting up in business and a comprehensive list of sources of help in the London area is provided by Getting Started, a booklet produced by the London Enterprise Agency (LEntA), Capital Radio and National Westminster Bank.

The 17-page booklet gives a brief summary of eight areas of concern to the new businessperson starting with the personal qualities required, through the choice of business, to finance, premises and training. It also lists several hundred organisations which can help the new starter.

Available from LEntA, 4 Snow Hill, London EC1V 1JU. Tel 01-236 3000. Free.

■ Marketing can be the key to small business success but many businesspeople are unsure what the term means – let alone how to go about it.

Marketing for Young Businesses is a 36-page booklet produced by accountants Price Waterhouse which answers many of the common questions. Starting with a definition of marketing, the booklet explains subjects such as pricing, advertising, direct mail and public relations techniques.

It lists sources of marketing information and organisations which can be of help.

Available from Publications Office, Price Waterhouse, Southwark Towers, 32 London Bridge Street, London SE1 9SY. Tel 01-407 8989. Free.

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FT LAW REPORTS

Buyers cannot sue shipowners for short delivery of cargo

THE ARAMIS
Court of Appeal (Lord Justice O'Connor, Lord Justice Bingham and Lord Justice Stuart-Smith): November 17 1988

A BILL of lading holder who has no title to the quantified goods because they form part of a bulk cargo, cannot sue on the contract of carriage unless his and the shipowner's conduct clearly implies an agreement to be bound on bill of lading terms.

The Court of Appeal so held when allowing an appeal by owners of the Aramis from Mr Justice Evans's decision that there was an implied contract between them and holders and endorsees of two bills of lading entitling them to sue the shipowners on the terms of the bills of lading.

LORD JUSTICE BINGHAM said that in April 1980 the shipowners chartered Aramis for a time charter trip from South America to Europe for the carriage of grain and agricultural products. In May the ship loaded 3,209 of linseed expellers at Necochea in Argentina. It was stowed in two of the holds. She then loaded ovar 4,000 tonnes of linseed expellers and a similar quantity of sunflower pellets at Buenos Aires using all four holds.

She sailed for Rouen where she discharged part of her cargo of linseed expellers and sunflower pellets. She then sailed to Rotterdam and discharged the rest of the linseed expellers. One parcel loaded at Necochea was the subject of bill of lading No 5 (204 tonnes) and the other of bill of lading No 6 (255 tonnes).

The shippers under each bill of lading were the same. Under each the goods were consigned "to order". Each showed the loading port as Necochea and the *discharge port as Rotterdam*. Each bill was signed on behalf of the master.

Bill of lading No 5 was endorsed by the shippers and by forwarding agents appointed by the buyers to obtain delivery at Rotterdam. On delivery there was a significant shortage of cargo. The buyers received $15,000 in part satisfaction of their claim for non-delivery. Bill of lading No 6 was endorsed by the shippers and forwarding agents appointed by the buyers to obtain delivery. The forwarding agents presented bill No 6 *(255 tonnes) but obtained delivery* of only 11.55 tonnes. The buyers claimed against the sellers and received $20,000. Gafta arbitrators awarded them a further $32,341, but it had not been paid. The sellers were in liquidation.

There was no evidence that when the two bills of lading were presented to the ship's agents any sum was owing to the ship from consignees, receivers or holders of bills of *lading. Thus the master had* no lien he could assert. He would have been bound to deliver to any holder of the bill claiming delivery. Mr Justice Evans, applying *Brandt v Liverpool Brazil and River Plate Steam Navigation Co [1924] 1 KB 575*, found an implied contract between the shipowners and the holders and indorses of the two bills of lading. The cargo-owners appealed.

On the appeal the cargo-owners supported the judge's reasoning. The first issue was whether the bill of lading holder could rely on section 1 of the Bills of Lading Act 1855.

Section provided that "Every consignee named in a bill of lading and every endorsee of a bill of lading to whom the property in the goods therein mentioned shall pass . . . shall have transferred to and vested in him all rights of suit . . ."

The argument was *inter alia* that the sole objection in law to full property passing to the bill of lading holders as buyers was that the goods formed part of a larger bulk and were therefore not "ascertained" as required by section 16 of the Sale of Goods Act 1979; that the sellers had appropriated the goods to the contract and were contractually bound to deliver that contract quantity; and that it was "just and reasonable" that a cif buyer of an undivided part of a bulk cargo to whom a bill of lading in respect of the contract quantity of that particular cargo had been transferred and endorsed, should be held to have sufficient property in the goods for the purposes of the 1855 Act, and such a buyer ought not to be denied a right to sue.

If the appropriate test under the Act were one of justice and reasonableness, there would be force in that argument. However, the question turned on the intention with which the endorsement was made.

When one turned to the statutory language the legislative intention was plain. When property in the goods passed on or by reason of an endorsement, contractual rights of suit and contractual liabilities were passed to the endorsee. When property did not so pass there was no such transfer. It was accepted that here property did not pass because the goods *formed* part of a single undivided bulk cargo.

That being so it would emasculate the Act to hold that contractual rights and liabilities were transferred, however just and reasonable that result might be.

The argument was rejected.

The second issue was whether there was an implied contract.

In *Brandt*, Brandt held bills of lading as endorsee and did not have property in the goods so as to become a party to the contract of carriage. Under protest it paid £748 for which the shipowner asserted a lien on the cargo. Brandt then sued for damages for breach of the contract of carriage and for recovery of the £748. To succeed it had to establish that it had become a party to the contract.

Mr Justice Greer at first instance found for Brandt. He said that by presenting the bill of lading and receiving delivery, Brandt impliedly promised to pay any payments payable by the receiver for the implied consideration of "a promise to deliver the goods to Brandt in the condition in which they ought to be delivered under the bill of lading". The Court of Appeal supported that judgment.

Subsequent cases decided no more than that whether a contract was to be implied was a question of fact and that a contract would only be implied where it was necessary to do so. But the cases certainly showed that a contract might be inferred where a shipowner who had a lien on cargo agreed to deliver to the bill of lading holder who paid outstanding dues. The parties might also show an intention to adopt and perform the bill of lading contract in other ways.

There did not however appear to have been a case in which a contract had been implied from the mere facts, (a) that an endorsee demanded delivery; and (b) that the shipowner, bound by contract with his shippers (and perhaps his charterer) to deliver goods to any party presenting the bill, duly made such delivery.

Whether on such facts without more a contract might be implied must be considered in the light of ordinary contractual principles.

The questions were (i) whether the conduct of the bill of lading holder in presenting the bill to the ship's agent would be reasonably understood by the agents or shipowner as an offer to contract on bill of lading terms; (2) whether the conduct of the ship's agent in accepting the bill, or of the master in agreeing to deliver or in delivering, would be reasonably understood by the bill of lading holder as an acceptance of his offer.

It would be contrary to principle to countenance the implication of a contract from conduct if the conduct relied on was no more consistent with an intention to contract than with an intention not to contract. It must be fatal to the implication of a contract if the parties would or might have acted exactly as they did in the absence of a contract.

If that approach was correct it was impossible to imply a contract on the bare facts of the present case. Nothing that the shipowners or bill of lading holders did need have been different had their intention been not to contract on bill of lading terms. Their business relationship was entirely efficacious without the implication of any contract between them. Although the bill of lading holders had no title to any part of the undivided bulk cargo they had a perfectly good right to demand delivery and the shipowners had no right to refuse or to impose conditions.

The appeal was allowed.

Lord Justice O'Connor and Lord Justice Stuart-Smith agreed.

For the cargo-owners: Nicholas Hamblen (Clyde & Co)

For the shipowners: Alan Pardoe QC (William A Crump)

Rachel Davies
Barrister

Eroticism through the eye of the lens

William Packer discusses the work of photographers Helmut Newton and Alice Springs, both on show at the National Portrait Gallery

The work of two photographers of wide international reputation, Helmut Newton, born in Berlin in 1920, and his Australian wife, June Browne, some three years his junior who goes by the *nom de bouton* of Alice Springs, is now on show in concurrent solo exhibitions at the National Portrait Gallery (St Martin's Place, WC2 until February 12: sponsored by Moosehead Beer), while a further show by Newton, of *New Nudes*, is to be seen at Hamiltons (13 Carlos Place, W1 until December 3: same sponsor).

Newton made his name as a fashion photographer, but from the first his real interest was clearly vested in the horse rather than in the clothes it wore. Like the great French photographer, Lartigue, his essential subject *is* Woman. Both men have celebrated the most beautiful women they could persuade to sit to them and the ideal for each of them was similarly tall and slim, long legged and high heeled, strong and active – the modern goddess.

Both of them have worked to frank erotic effect, their approach – by current orthodoxy – always blatantly sexist in that woman is seen above all in her physical being, through men's eyes. But where Lartigue was ever the romantic, playful and teasing, witty and indulgent by turns, but always returning his ideal safe to her pedestal, Newton, no less witty and amusing, has always been somewhat more equivocal, always prepared to sail much closer to the wind.

The nude will always carry with it at least the germ of the possibility of the erotic. But where Lartigue was so often erotic but never, in my experience of his work, remotely pornographic, Newton clearly cannot resist teasing the issue to the very edge. *To walk round the New Nudes* show at Hamiltons is to confront repeatedly the question of where it is exactly that the one falls over into the other.

Does wit alone effect the rescue, or technical brilliance? Is the close identification of the models as individuals, disposed entirely as themselves, a humanising and therefore mitigating quality? Does the distancing effect of satire, or parody, or ironical detachment, or the evident amused collusion of the participants, render acceptably erotic what might otherwise be unacceptably pornographic? Indeed can pornography itself ever be acceptable as art?

The fact that such questions are posed by the work is half an answer, suggesting at least an imaginative engagement where the pornographic would offer nothing but the narrowest literal description. Even so it is a risky business.

Portraits, his show at the National Portrait Gallery, again celebrates women and has its share of nudes, celebrity nudes at that. But here the question of pornography falls quite away. *Many of the* images are undoubtedly erotic but none in the least salacious or ambiguous: the eroticism is as much that of glamour and opulence as of sexuality. And the cast, drawn from the worlds of high fashion and high life, is not really the point: whether we recognise these people or not, what makes them interesting and imaginatively engaging is the quality they possess of an individual presence before the camera.

Newton plays many games, sometimes celebrating, notably in his self portraits, the processes of the camera and the studio, and often setting his subjects up in conversation pieces of an arch ambiguity. But as with the more obvious sexual tableaux, where the literal image may be so strong as to let one think of nothing else, the contrivance can be a shade too emphatic.

The danger is of interfering with the image too much by loading it with too literal and particular implication. We read the story, take the jocular point – perhaps, of the wife tied to her husband – and then pass on without looking at the piece for itself, for what it is as a photograph.

The simpler and more direct the images the better, and some such are spectacularly successful. None is more so than the portrait of Paloma Picasso, hand on hip and glass in hand against her bare breast, an image of intimidating glamour and yet of the most discreet eroticism. It is as good as anything he has done.

For Newton, the charge of exploitative sexism really does not hold, even given the bizarrities and physical surprises of his more adventurous tableaux. For, whatever the nature of the goings on – and with Newton they do go on – his women remain curiously remote and above it all: collaborators and participants at one level, but also creatures almost of another order of being, to be regarded with awe and wonder and not a little fear; free themselves and possessed of free will.

Newton loves women and cannot resist looking at them, *thinking about them and* photographing them. But though he may use them in the way that anyone may freely employ another, he does not exploit them. It is himself he exploits, his own obsession, experience and view of the world. Which is all an artist, good or bad, can ever do.

*

Downstairs, *Portraits* by Alice Springs occupies the smaller space on the first landing of the gallery, but suffers not at all by being comparatively so compact. Indeed her work is the better for its directness and consistency of approach, forgoing the technical and formal variety of her husband's, and certainly in its overt erotic preoccupations takes the more straight-forward and undistracted view of her subjects.

That is not to say these are images without art or artifice. They are, on the contrary, of the greatest sophistication, beautifully ordered and composed, and possessed of an authority that is indeed a function of their formal, frontal simplicity.

Repeatedly she takes a half or three-quarter length for her composition, setting her subject against the wall. Calmly they face the camera, with no funny business, no tricks. For a photographer whose career began only in 1970, when she was nearing 50, Alice Springs has come very far.

Paloma Picasso by Helmut Newton, 1973

Isabelle Adjani by Alice Springs, 1979

La Vestale

ELIZABETH HALL

The operas of Spontini, revered by Berlioz, crucial in the creation of the French Grand Opera tradition, admired for half a century in Paris; Berlin and his native Italy, have today all but sunk without trace. So the Chelsea Opera Group's choice of his first and greatest Paris success, *La Vestale* (1807), which they gave at the Queen Elizabeth Hall on Sunday, provided a welcome opportunity to discover why once he succeeded, and to conjecture whether he might again.

Well, part of an opportunity. One thing that was clear on Sunday was that this piece belongs on the stage, and needs one if it is to make anything like its potential impact. To call the music of these extended and imposing finales and the other big public scenes an accompaniment to spectacle is less to denigrate it than to try to understand how it works. Taken on the printed page, or even on the concert platform, some of it seems grandiose rather than grand, and harmonically there is too generous a quantity of bland tonic-and-dominant stuff. Even with cuts in some of the choruses, one gets the impression that Spontini rarely says anything twice if four times will do.

And yet, as his contemporaries recognised, these scenes show a real command of musical theatre, with their broadly sweeping lines, their long-spanned crescendos of tensions, their tellingly placed climaxes. It is not only the choral scenes that are big-boned: a major part of Act 2, for example, consists of a scene for Julia, the vestal priestess of the title, who agonises over her forbidden love for the Roman General Licinius – at first lyrical and contemplative, then guiltily agitated, last grandly impassioned. And her scene resolves fittingly into a fine love duet. There is much powerful recitative too.

The popular comparison with Gluck is not out of place (though a hint of underlying coolness perhaps suggests that Salieri might be an apter one). Spontini's music, here and elsewhere in the opera, is full of ideas and intelligence, alert to words, full of ingenious little strokes of harmony and texture; he was deft in building up tension with repeating motivic accompaniment figures and he had the early Romantics' love of the clarinet and the horn. It is calculated, perhaps; but it is very well and accurately calculated. Even the too-jolly, jaunty *finale* might work on the stage, given a fully professional polish and precision.

The COG performance, conducted in firm and vigorous fashion by Adrian Brown and played and sung by the company's orchestra and chorus, with a fair level of tidiness, did not quite succeed in communicating the degree of variety of mood that I suspect could be drawn from the score. It may have suffered somewhat for having a late substitute in the title role in the form of Helen Lawrence, not quite steady enough or pure enough in tone to convey the classical quality of Spontini lines, though she did produce many sensitive turns of phrase and showed a real grasp of expressive detail. Kim Begley's firm and dependable tenor sounded well in *Licinius' music; smooth and* broad of line. Cinna was sung by David Barrell with due command if rather unvaried in tone. By no means all the French came clearly across.

Stanley Sadie

Arditti's Schoenberg

PURCELL ROOM

With the possible exception of the Second, Schoenberg's four mature string quartets are usually supposed to be caviar to the general: splendid music, of course, but too uncompromising ears. That was presumably why the Arditti Quartet found themselves performing them in the little Purcell Room on Sunday – where considerably more people than could be accommodated turned up in the hope of hearing them. The lucky few were fortunate indeed, for the performances were memorable; the others were particularly unlucky, because a number of seats that had been pre-booked remained mysteriously unoccupied throughout the evening.

The Arditti's Schoenberg, always exciting, has acquired more authority than ever. Ideally, the first two quartets want more acoustic space around them than the hall could provide. The First, op. 7, which plays for an unbroken three-quarters of an hour in strenuously chromatic D minor, often sounds like a full symphonic score compressed by main force into four string-parts. The poignant, haunted atmosphere of the Second, op. 10, with a soprano joining in its last movements, isn't easily captured at close quarters either.

Sharply purposeful playing, and remarkably well-pitched singing by the Canadian Brenda Mitchell, went a long way toward the heart of the matter, but by ideal standards the Ardittis' sterling conviction lost something to the slightly cramped sound. (I have heard the ecstatic climax of the Second more thrillingly realised in less searching performances.) The real revelations were the two later, dodecaphonic quartets, both of which – and especially the *Third*, op. 30 – may seem rebarbatively prickly even in well-intended readings: not here, where the Arditti gave full, rounded lyrical weight to everything. This highly wrought music can rarely have sounded so full of tunes.

The secret lay as much in the refined strength of the individual playing – Schoenberg is generous to every quartet-member, and they all seized their opportunities magisterially – as in the overall interpretation, which was of the highest order. In the Third Quartet there was no doubt about the Beethovenian power that Hans Keller used to claim for the piece. The final Rondo, with its nagging little tune, was treated with winning subtlety (and not a trace of the usual scraping); but the centre *of gravity, rightly, was the* slow movement, measured out with a wonderful grave eloquence.

The Fourth Quartet, op. 37, sang irresistibly too, and the Arditti players caught all the inflections to a nicety (notably the wistful bits of *Ländler* in the second movement). Among many passages that were turned with breathtaking finesse, the long, controlled decrescendo toward the end of the opening movement was a marvel: the balance of voices perfectly preserved.

David Murray

Orchestra of the 18th Century

BARBICAN HALL

The Amsterdam-based Orchestra of the 18th Century made its London debut in 1986 with a concert in, of all unlikely places, the Westminster Central Hall. Its return was long overdue; that first encounter and the series of recordings since made for Philips have demonstrated that it has no peers among the orchestras devoted to period performances. At the Barbican on Sunday afternoon under its founding conductor Frans Brüggen its pre-eminence was proved beyond all reasonable doubt. The hall was barely half-filled, and one wonders why a group that deserves to be just as celebrated as, say, the Concertgebouw or the Berlin Philharmonic should receive such scant attention and low-key promotion in Britain.

London rightly prides itself on its own pool of period-instrument performers, but in none of their manifestations do they rival the accomplishment and expressive range of the Orchestra of the 18th Century. Sunday's concert ended with Beethoven's Seventh Symphony. It was given with such crisp attention to every point of articulation, each tutti explosively poised, every woodwind solo tuned to perfection, that it constituted an act of total renovation, as if the full expressive potential of each detail had been restored at a stroke. Brüggen's conducting style is essentially architectural; the precision work has been done in rehearsal and he *is content to shape and inspire*, which he does superlatively.

They had begun with *The Marriage of Figaro* Overture and Mozart's Prague Symphony. Neither was launched at breakneck speed but both gave the impression of effortless buoyancy, of music-making delivered with extreme concentration and utter dedication. Every virtue of period performance is manifested in their playing – the lucid textures one almost takes for granted, but the ease with which instruments can "speak" and rhythms be defined in such a context, is a constant delight, especially when all traces of technical difficulty seem to have been expunged. The encore, the finale of Haydn's Symphony No.86, was a joyous demonstration of sheer virtuosity; no concert this year *has given such* unalloyed pleasure.

Andrew Clements

The Last Romantics at the Barbican

A neglected period of British Art, from the Pre-Raphaelites to the Neo-Romantics of the 1940s and 50s, will be displayed at the Barbican Art Gallery from February 9 to April 9 next year.

The Last Romantics will consist of over 350 works, including paintings, sculptures, printmaking and illustration, by a group of some 100 artists from Edward Burne-Jones and his immediate followers to Stanley Spencer and the later Romantic work centred around the Slade School, selected by John Christian from public and private collections throughout the UK, with some important works coming from the US.

Balanchine's 'Cotillon'

NEW YORK

During October New York audiences saw two Balanchine ballets most of us had never seen, nor ever hoped to see: Tulsa (Oklahoma) Ballet Theatre, directed by Roman Jasinski and Moscelyne Larkin, former members of the Ballets Russes, brought to Brooklyn College a revival of *Mozart Violin Concerto*, and the Joffrey Ballet opened its season at the City Center with a reconstruction of the long-lost *Cotillon*.

Concierto de Mozart, as it was originally called, was choreographed for the Teatro Colon, Buenos Aires, in 1942 and restaged for Tulsa by Esmeralda Agoglia, who was in the original production. The Colon company was large but not, one guesses, especially accomplished technically: the choreography uses fairly simple classroom. The biggest surprise is the corps de ballet's entrance in the slow movement, a paraphrase of the entrance of the "Shades" in Petipa's *La Bayadère*. *Concerto* is a pretty ballet that would be a useful addition to other repertories.

Robert Joffrey had long wished to revive *Cotillon*, choreographed for the Ballet Russe de Monte Carlo in 1932. *After* the success of his company's revival last year of Nijinsky's *Le Sacre du printemps*, Lincoln Kirstein gave permission to go ahead with the project. Joffrey died last March; the revival has been done with all the care for which his productions of ballets from the Diaghilev repertory are admired. The reconstruction was undertaken by Millicent Hodson and Kenneth Archer, the two scholars who worked on the *Sacre*.

There are no films of Nijinsky's ballet, and no one is left alive who danced it. With *Cotillon*, the case is different. The three "baby ballerinas" who danced in it originally (Toumanova, Baronova and Riabouchinska) are still with us, as are many others who danced later on. And there are two fragmentary silent films dating from the 1930s.

Cotillon is one of ballet's most perfect and poetic collaborations: libretto by Boris Kochno, as was that of its prototype, *Le Bal*, which Balanchine made for Diaghilev in 1929; decor and costumes, in a rainbow of colours, by Christian Bérard; the sophistication of these elements and of Balanchine's dances makes a bittersweet contrast to the ravishing plein air music of Emmanuel Chabrier.

Even if one never saw *Cotillon*, one had an idea of its potent atmosphere, so evocatively described by Adrian Stokes and, especially, A V Coton. The most disturbing episode is the penultimate one, "The Magic Lantern," in which the Young Girl tells her companions' fortunes. So far, the games and dances have been innocent enough. Now the fortune-telling sets off a series of sinister incidents, and the whole thing turns into a nightmare: the Girl is horrified by what she reads in the palm of her friend, the "Fate" figure appears with black wings like a vampire, a man staggers in drunk. Both he and the Girl are hidden behind screens; when these are opened again, they have disappeared. This episode was presumably the most difficult to reconstruct, since it is not in either film, and it has not quite come into focus yet in Hodson's reconstruction.

Balanchine himself refused to revive *Cotillon* – for one thing, he had used bits of it in other ballets. One recognises motifs that recurred in *Serenade, Night Shadow, La Valse*; two people playing a lyre or, as here, a guitar, one standing behind the other.

There is much to learn, much to ponder. The outward form of the ballet is plausibly there, and the Joffrey dancers, led by the exquisite Tina LeBlanc, Leslie Carothers, Beatriz Rodriguez, Edward Stierle, Glenn Edgerton, and Jerel Hilding (in the first cast) are finding their way into it. It is a ballet that, unseen, had haunted one's imagination for many years. How much more must it continue to do so now that one has seen it at last.

David Vaughan

Queen boosts 'Museums Year 1989'

Sixty paintings from Windsor Castle, which are not normally on view to the public, will be on display in six provincial museums next year. It is the Queen's contribution to Museums Year 1989, and will send works by Gainsborough, Reynolds, Hogarth, Canaletto and Stubbs, among other Old Masters, in groups of ten, to the local museums at Aberdeen, Bristol, Newcastle, Norwich, Plymouth and Sheffield, between October 1989 and May 1990.

Museums Year is the centenary celebration of the Museum Association, which now has over 3,500 museum members, most of whom will be organising promotional events. The aim is to popularise museum going in the UK, and to increase visits from the current 73m to a 100m in 1989. The marketing drive will be spearheaded by sponsorship support from The Times and The Sunday Times.

ARTS GUIDE

November 18-24

OPERA AND BALLET

London

Royal Opera. Covent Garden. Massenet's Manon gets a new production, by John Cox, in the 1987 designs, by Peter Rice. Leontina Vaduva, David Rendall, François Le Roux, and Donald McIntyre take leading roles, and the conductor is Michael Plasson. Further performances of the beautiful Nuria Espert production of Madama Butterfly, with Catherine Malfitano and Arthur Davies as Butterfly and Pinkerton.

English National Opera. Coliseum. The Mikado, in Jonathan Miller's jolly updated production returns for a further round of performances, with Susan Bullock, Bonaventura Bottone, Richard Angas, and Donald Adams in the cast. Also in repertory: The Making of the Representative for Planet 8, Philip Glass's second opera for ENO; Miller's unsparkly production of The Barber of *Seville*; and the surrealist staging of Simon Boccanegra by David Alden with Malcolm Donnelly in Verdi's title role.

Royal Ballet (at the Royal Opera House) a new ballet by David Bintley (Nov 22). Antoinette Sibley replaces the indisposed Natalia Makorova returns as the heroine of A Month in the Country.

Paris

Opéra. Notre-Dame de Paris, a 2-act ballet by Roland Petit inspired by Victor Hugo to Maurice Jarre's music with the Paris Opéra choir. Costumes by Yves Saint-Laurent (47425371).

Brussels

Theatre Royal de la Monnaie. *The Mark Morris Dance Group* makes its long-awaited debut as the Monnaie's resident ballet company. Mark Morris, director/choreographer, opens the season with the premiere of his ballet L'Allegro, Il Penseroso ed Il Moderato, "a pastoral ode after poems by John Milton" set to the music of Handel. Craig Smith conducts the Monnaie orchestra and chorus (Wed). Ends Nov 29.

Cirque Royal. Accademia Lirica Arturo Toscanini of Milan in its production of La Bohème (Puccini), conducted by Boris Ivanov (Thur) Ends Nov 27 (218.2015).

Vienna

State Opera. Performances this week include: Tannhäuser conducted by Giuseppe Sinopoli, with Jessye Norman, Waltraud Meier, Kurt Rydl and Richard Versalle; Attila conducted by Sir Charles Mackerras with Mara Zampieri, Ruggero Raimondi, Giorgio Zancanaro; Der Rosenkavalier conducted by Ulk Schirmer, with Gundula Janowitz, Margareta Hintermeier, Patricia Wise, Kurt Rydl; Der fliegende Holländer conducted by Peter Schneider with Dunja Vejzovic, Simon Estes, Kurt Rydl, Thomas Moser, Heinz Zednik; Die Zauberflöte conducted by Nikolaus Harnoncourt, with Luciana Serra, Patricia Schuman, Ewa Lind, Uwe Heilman, Manfred Hemm.

Volksoper. Kiss me Kate, conducted by Herbert Mogg; Tiefland conducted by Diefried Bernet; Die lustige Witwe conducted by Konrad Leitner; Der Freischütz conducted by Donald Runnicles; Der Mantel conducted by Diefried Bernet; and Ein *Waltzertraum conducted by* Rudolf Bibl.

Berlin

Deutsche Oper. Madame Butterfly is sung by Rabina Kabaivanska, Helga Wisniewska, Cornelio Morgu and Walton Grouroos. Götterdämmerung in Götz Friedrich's production stars Gwyneth Jones (Brunnhilde), Eva Johansson (Gutrune), Hanna Schwarz (Waltraute), Toni Kramer (Siegfried) and Matti Salminen (Hagen). Zar und Zimmermann is a well done repertoire performance. Also offered Roland Petit's ballet Notre-Dame de Paris, with costumes by *Yves Saint-Laurent.*

Hamburg

Staatsoper. Othello is the highlight of the week with Gabiela Benackova, Olive Fredricks, Wladimir Atlantow and Piero Cappuccilli. Don Pasquale brings Hellen Kwon, Giorgio Tadeo, Urban Malmberg and Kurt Streit together. Don Carlos is sung by Linda Plech, Bruna Baglioni, Hewgenig Nesterenko and Luis Lima, brilliant in the leading roles. The cast of Cav and Pag includes Galina Savova, Vasile Moldoveanu, Piero Cappuccilli and John Neumeier.

Cologne

Oper. There was much applause for Die Frau ohne Schatten when it opened with Robert Ilosfalvy, Mechthild Gessendorf, Reinhild Runkel, Janis Martin, conducted by Lothar Zagrosek. Manon Les*caut has a strong cast led by* Danuta Saska, Camillo Meghor, Lando Bartolini and Carlos Feller. Also in repertory: a lively revival of Ein Sommernachtstraum.

Stuttgart

Opera. Salome has a new cast led by Karan Armstrong, Manfred Jung and Roland Bracht. Einstein on the Beach, by Philip Glass and produced by Achim Freyer is an opera with a strong combination of pictures and music. The rarely played operetta Der Karottenkonig has Elke Estinbaum, Urzula Kossut, Ruth-Margret Putz, Jorn-W. Wilsing and Herold Kruse in the main parts. Dornroschen closes the week.

Frankfurt

Opera. Tom Fox has the title role in Jurgen Gosch's production of Le Nozze di Figaro, which features Michal Shamir as Susanna, Marianne Rorholm as Cherubino, Bodo Schwanbeck as Bartolo, with Johannes Winkler conducting. Fidelio is well performed by Hermann Winkler, Luana de Vol, Michael Shamir, *Gunter Reich and Manfred* Schenk. Also offered Il Barbiere di Siviglia and Rigoletto, the latter with Anne Dawson, Margit Neubauer, John Rawnsley, conducted by Gary Bertini.

Amsterdam

Muziektheater The *National* Ballet with a programme of ballets by resident choreographer Toer van Schayk: a new ballet to music by Hans Werner Henze, Seventh Symphony (Beethoven) and Mythische Voorwendsel (Bartok) (225 455). Netherlands Opera co-production with the *English National Opera of Moz*art's Magic Flute (in German) directed by Nicholas Hytner. The Netherlands Philharmonic under Donald Runnicles, with Hans Peter Blochwitz, Dawn Upshaw, Petteri Salomaa, Amanda Halgrimson and Erich Knodt. Muziektheater (255 455).

Turin

Opera. Sylvano Bussotti's production of Ponchielli's La Gioconda, (seen at the Florence Maggio Musicale in 1986), conducted by Nello Santi. Giovanna Casolla sings the title role (alternating with Lorenza Canepa), with Silvano Carroli as Barnaba and Salvatore Fisichella in good voice in the part of Enzo, and Carmen Gonzales (Tues, Thur) (546.000).

Rome

Teatro dell'Opera. Season opens with Filippo Sanjust's production of Donizetti's Poliuto, last performed in Italy at La Scala in 1960, with Maria Callas. An excellent cast led by Renato Bruson as the Roman Consul, Severo, Nicola Martinucci as Poliuto and Elizabeth Connell as his saintly wife, Paolina (Wed) (46.17.55).

New York

Metropolitan Opera, Lincoln Center. Performances of Madama Butterfly continue, conducted by Myung Whun Chung. Il Barbiere di Siviglia with Leo Nucci as Figaro and William Matteuzzi replacing Rockwell Blake as Count Almaviva, conducted by Ralf Weikert. Alicia Nafe sings Carmen with Gary Lakes as Don Jose in Paul Mills's staging conducted by Placido Domingo (362 6000).

New York City Ballet, State Theatre, *Lincoln Center*. The 40th anniversary season enjoys a gala opening recreating the company's historic 1948 debut programme with three Balanchine classics: Concerto Barocco, Orpheus and Symphony in C (Wed) (496 0600).

Washington

Washington Opera. Opera House, Kennedy Center. Nelly Miricioiu takes the role of Violetta Valery in John Copley's production of La Traviata conducted by Guido Ajmone Marsan. Placido Domingo continues as Mario Cavaradossi in Tosca in Gian Carlo Menotti's production conducted by Rafael Fruhbeck de Burgos with Andriana Morelli as Floria and Justino Diaz as Baron Scarpia (254 3770).

Chicago

Lyric Opera. Civic Opera House. Ingvar Wixell has the title role in Jean Pierre Ponnelle's production of Falstaff, which features Marilyn Horne as Dame Quickly, Jerry Hadley as Fenton and Wolfgang Brendel as Ford, with James Conlon conducting. Samuel Ramey takes the title role as Don Giovanni in Jean Pierre Ponnelle's PRoduction conducted by Semyon Bychkov, With Carol Vaness as Donna Anna and Karita Mattila as Donna Elvira (332 2244).

Tokyo

Bayerische Staatsoper from Munich, conducted by Wolfgang Sawallisch. Don Giovanni with Thomas Allen, Kurt Moll, Anna Tomowa-Sintow, Peter Seifert (Tues), *Die Meistersinger* with Hermann Prey, Lucia Popp, Peter Schreier, Kurt Moll (Wed), Arabella with Lucia Popp, Anna Tomowa-Sintow, Thomas Allen (Thurs) (289 9999).

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Farm test for Gatt

THE MID-TERM review of the Uruguay Round of multilateral trade negotiations in Montreal early next month marks an opportunity to further the cause of the liberal trading system. Despite the interregnum in Washington and the brewing transatlantic storm in a teacup of bovine growth hormones, the opportunity must be seized.

The aim of the meeting is to review progress after two years of negotiation. It was never expected to provide solutions to all the problems affecting world trade. If handled constructively, however, the meeting should provide fresh impetus to the talks during their difficult two-year concluding phase. On the downside, failure would be damaging to the General Agreement on Tariffs and Trade (Gatt) and to the trading system as a whole.

In the two years since the Uruguay Round began, good progress has been made in several areas, such as strengthening the Gatt as an institution and improving its mechanisms for dispute settlement. Progress towards liberalising trade in services may seem modest, but it has been considerably greater than many expected at the outset.

Brinkmanship

All this should not be overlooked, but, as the brinkmanship over farming continues in the run-up to Montreal, it is clear that momentum can only be maintained if progress in agriculture goes well beyond the habitually fudged language of communiqués. The impasse on world farm reform must be ended. Agriculture, the area in which the Gatt failed in the past, has emerged as the test-case of the Uruguay Round.

Agriculture is the sector, *par excellence*, where the trading powers have a clear choice between liberal trade principles, on the one hand, and political pressures from narrow lobbies, on the other hand. It is the one area of the negotiation where the *raison d'être* of the Gatt, significant trade liberalisation, can be achieved. Finally, it is the main area of the negotiation with potentially significant benefits for developing countries.

So far the main protagonists have harely gone beyond their starting positions. The US refuses to abandon its objective of a complete elimination of *all trade-distorting subsidies*; the European Community would like both to receive credit for actions it has already taken to reduce its farm surpluses and to concentrate on further short-term measures; Japan claims that, as a food importer, it should be exempt from the obligation to liberalise imports of sensitive products like rice.

Fortunately, the basis for a compromise already exists in the form of proposals submitted by the so-called Cairns group of producers, which ranges from Australia and Canada to Thailand and Hungary. This group has suggested an immediate freeze on farm protection, a steady long-term reduction in support payments and elaboration of a framework for negotiating the general elimination of support mechanisms.

Predilection

To build on these proposals, the US would have to drop its insistence on a prior commitment by all parties to a complete end to farm subsidies. The EC would have to move beyond its predilection for short-term palliatives toward a serious commitment to liberalisation. Japan would have to accept that liberalisation of rice, in particular, is on the table.

On both sides of the Atlantic there is growing awareness of the huge costs to taxpayers and consumers of the present system of farm support. In Montreal both the Reagan Administration and the present Brussels Commission, both of which are due to leave office in the New Year, will have a unique opportunity to stand up to their respective farm lobbies. Whether or not that opportunity is seized may determine the very survival of the multilateral trading system. Agreement on a framework for carrying the negotiations on farm reform to a successful conclusion would be a positive legacy from those now departing. If they fail that test, they would also have shirked the challenge of Montreal.

A surcharge for nuclear power

ONE OF THE most remarkable effects of the Thatcher Government's electricity privatisation proposals has been the speed with which they have overturned some of the industry's most cherished assumptions, particularly about nuclear power.

Only a couple of years ago the Central Electricity Generating Board was planning enthusiastically to build its family of four or five Pressurised Water Reactors starting with the long delayed plant at Sizewell B in Suffolk. The board was telling anyone who would listen that the future lay with nuclear plant, which it believed would produce cheaper electricity than any rival method of generation.

Then earlier this month it was warning the Government that its private sector successor could not afford to build nuclear power stations unless the Government would guarantee that all the costs and most of the risks could be passed on to electricity customers. The Department of Energy appears to have responded with a scheme which will automatically pass the costs of nuclear power to consumers as a surcharge to tariffs.

Inconsistent

The Government's intention to require the electricity industry to sell a minimum quota of nuclear power was always inconsistent with the free market principles said to underpin its privatisation plans. A compulsory levy to finance the quota would distort the market further, by increasing the price of electricity compared with other fuels.

However, the CEGB's sudden change of heart and its demand to be indemnified against nuclear losses are understandable. Only this summer, the Long Island Lighting Company in New York was forced to sell its $4.5bn Shoreham nuclear power plant to the state for $1. The utility was effectively bankrupted, partly by its own mismanagement, but ultimately by the political impossibility of running the plant on a crowded island. Many other US utilities have been driven to the brink of ruin by nuclear power projects.

Although companies like Duke Power in the US and Tokyo Electric Power in Japan have shown that nuclear projects can thrive in the private sector, the commercial risks and the costs of nuclear power have been rising steadily in recent years, as prices of coal, oil and gas have been falling.

Competitiveness

Privatisation in the UK will add one further adverse twist: a rise in the cost of capital above the 5 per cent in real terms expected of nationalised industries to perhaps 7 to 10 per cent in the private sector. National Power, which is to inherit the CEGB's nuclear plant, might reasonably prefer to use its cash flow for less risky undertakings.

However, a case can still be made on strategic grounds for continuing a national nuclear programme. The deteriorating competitiveness of nuclear power must be set against the cost of running down Britain's expertise in the sector, and the possibility of another energy crisis in the late 1990s. If nuclear power is justified by these strategic arguments, then the obvious solution would be to retain it in the state sector. Failing that, an explicit subsidy from the taxpayer would be preferable to a general levy on electricity prices.

The cost of pursuing any public purpose needs to be assessed explicitly against alternative use of public resources, for example, for hospitals or defence. In addition, by providing a subsidy to construction, the Government would allow the market to respond to the premium it places on nuclear power, rather than impose an arbitrarily-determined share of nuclear power capacity.

Privatisation gives the Government a chance to bring the costs out into the open, to make the industry properly accountable and to ensure that its future plans will be judged strictly against performance. Much of the benefit would be lost if the generating company were to be guaranteed against the risk of executing a Government-imposed nuclear power programme through a large hidden tax on consumers.

Clive Wolman on the Stock Exchange's battle with some of its members

An empty space at the market's heart

The trading floor at noon on a recent working day

The battle between the Stock Exchange and two of its member firms over automated dealing systems has revived the spectre of the exchange being devoured – or at least condemned to impotence – by the Big Bang revolution that it initiated in 1983.

Some securities firms have started talking about the possibility of bypassing the Stock Exchange by quoting their prices for buying and selling shares through independent screen networks such as that operated by Reuter. The exchange's facilities for executing and settling deals could also be side-stepped, they say. According to one chief executive: "It would only take us and four other major players to put our prices directly into Reuter and the Stock Exchange could not survive. The whole market would fragment."

But the exchange has also been talking tough. One senior official of the Stock Exchange Council believes that if any market-makers withdrew, the exchange would immediately remove those of their market-making privileges which were under its control. One particular target, he says, would be their electronic access to Seaq, the system for collecting price quotations for all listed shares. "If we have to cut a few wires here and there to preserve the central market place, so be it. We cannot let individual firms of tha exchange run riot becausa it is in their commercial interest to bully us."

The decline of the exchange over the last three years has been inexorable. Big Bang ended its control of a commissions cartel. The Financial Services Act forced the exchange to give up most of its regulatory and investor protection functions to The Securities Association.

The main section of its trading floor has been deserted for two years. The desolation in what used to be hub of the City is a symbol of what may lie in store for the institution as a whole.

The opening up of the London market to overseas institutions, culminating in the stock exchange's merger two years ago with the 190 firms of the International Securities Regulatory Organisation (Isro), has undermined the homogeneity of its membership and the automatic consensus about the principles behind the market. "Most of us are now controlled by foreign masters who were not brought up on the theology," says one council member.

Over the same period, the exchange has faced growing criticism, particularly from the largest international firms, of the efficiency with which it has been developing many of its long-standing activities, in particular its price information and settlement services. Mr John Hennessy, chief executive of Credit Suisse First Boston, delivered the most wounding insult last month at a Stock Exchange conference. He used a platform he was sharing with Sir Nicholas Goodison, the outgoing Stock Exchange chairman, to suggest that the exchange should sell off both Seaq and the Topic screen network which disseminates the Seaq information.

The Office of Fair Trading has joined in the attack by insisting, in a report published last April, that price information vendors, such as Reuters, Qnotron and Pont Data, should be given unfettered access to Seaq prices for a reasonable charge. The price information captured and disseminated by such services could form the basis of a rival dealing system and stock market although Reuter executives are careful to deny that they harbour any such ambitions.

The challenge to tha exchange's automated execution facility (Saef), which allows the sale and purchase of small lots of shares to be executed automatically through computers, is regarded by many as a make-or-break issue. Mr Peter Stephens, the new Stock Exchange deputy chairman and a director of Chase Manhattan Securities, says: "Automatic execution is a service which is fundamental to the central market place, and that is not necessarily true of our price information services. Since Big Bang and the closing of the trading floor, we have not had a central market place. Saef will create one."

The introduction of Saef was scheduled shortly after the Big Bang reforms of October 1986. After several delays, which critics say highlight the exchange's weaknesses in project management, it is now due to come on stream in mid-February, although phasing-in will start next week.

Partly because of the delays, two securities firms, Kleinwort Benson and Barclays de Zoete Wedd have developed their own rival automated dealing services. They allow brokers and investment clients to place orders by pressing buttons on computer screens in their offices. The shares are bought and sold automatically from the market-makers' book at the best price available in the market.

The BZW system is considered the greater long-term threat to Saef because of Barclays' capital backing and the size of the potential order inflow it can generate through its branch network. Some of its competitors believe that unless Saef proves to be an effective competitor, BZW could end up dealing with up to 50 per cent of all small orders.

Although Saef's initial maximum order size will be only 1,000 shares, all the systems have the potential to transact much larger bargains of up to 20,000 or even 50,000 shares. At that stage, the automated systems would account for more than 85 per cent of all bargains and more than half of all commission revenue.

The dispute centres on the proposed introduction of a rule which will not allow BZW or Kleinwort to transact bargains unless they are quoting the best prices themselves through tha Seaq system. As it is rare for any market-maker to be quoting best prices in more than half the stocks it covers, the requirement threatens to slash tha potential of BZW's and Kleinwort's business.

More serious is the fact that the exchange has been persuaded that there is no fundamental difference between an automated transaction by computer and an order to buy or sell shares given over the telephone to a clerk who executes it. Thus it is now reviewing possible ways of stopping these manually executed transactions (used by many other market-makers) unless they are actually quoting best prices. The difficulty will be to draw up the rules so as not to prevent the price of deals with institutional investors from being negotiated at prices that differ from those that a firm is quoting on Seaq.

The exchange has faced growing criticism, particularly over its price information and settlement services

According to one leading Stock Exchange official: "These automatic execution services are leeches on the central system, benefiting from the prices made by other people. If everyone did the same, the spreads (between buying and selling prices) would widen and investors would suffer."

The second argument is that a proliferation of independent automated dealing systems would encourage the fragmentation of the market. Traders would lose the incentive to quote their prices and volumes on Seaq or even to report to the centre the prices at which deals are done. Thus less experienced small investors could no longer be guaranteed the best price. Some believe that this trend began in August when BZW and another firm, Phillips and Drew, began quoting prices on Seaq only for the minimum permissible size of bargains, even though they are actually prepared to deal in much larger volumes for clients who phone.

There is a strong consensus in favour of preserving a central market with universal price reporting and quotation. Most accept that the London-based Eurobond telephone market has suffered, at least until this year, from the lack of a central facility for quoting and recording prices. But, in view of the commercial advantages of price transparency, why should independent automated dealing systems lead to such fragmentation?

The exchange may also be exaggerating the dangers of price parasitism. Most, if not all, firms can be parasitic in setting their prices in most stocks as long as each one leads the way in some. In any case, there are some commercial and advertising advantages for a firm if it frequently appears on the Seaq yellow strip as having the most attractive price in large size – and Smith New Court, one of the largest equity market-makers, has recently been following such a policy.

Kleinwort and BZW believe that the rule changes have been introduced to bolster Saef, towards which they have had to contribute out of general Stock Exchange charges, at their expense.

According to one executive: "The Stock Exchange bureaucrats want to put us out of business. They have a huge vested interest in finding some role for themselves."

This view is supported by several other market-making firms. According to the chief executiva of one of the largest competitors of Kleinwort and BZW: "We don't agree with the Stock Exchange. It is the thin end of the wedge and will end up removing the right of negotiation."

The critics argue that the weaknesses in the management structure of the Stock Exchange and its 3,000 employees have created these problems. The systems staff of the exchange are too powerful, they claim, and the council members, who are supposed to direct them, tend to be inactive practitioners or to be from tha lower tiers of management in their own firms. Therefore they lack, it is claimed, the experience or the authority to rein in the bureaucracy. The result is seen in projects, which are over-ambitious, too costly and fail to meet the deadlines.

The criticism overlooks soma of the achievements of the Stock Exchange systems staff in particular in their development of Seaq and Topic in time for Big Bang, with only a few temporary (though highly embarrassing) hitches in the first few weeks. In other areas, the blame should be directed more at the politics and the conservatism – at least pre-Big Bang – of the member firms. That explains the failure to introduce even a partially automated settlements system before 1979 and the knock-on delays in the introduction of the Taurus electronic share registration system until 1990.

Mr Stephens admits: "Because the Stock Exchange is not a commercial organisation, it has to get the consent of its members and that takes time." Mr Andrew Hugh-Smith, tha Exchange's new chairman, accepts some of the criticisms about the way it has been organised. He says he has tried to meet them by setting up a board structure, instead of council committees, to manage exchange businesses. The board structure comprises both council members and heads of staff departments.

The more radical critics will not be satisfied with this type of incremental reform. They would argue for a more radical change. It is not difficult to devise a way of dismantling or spinning off all the functions of tha exchange. Seaq, or soma other trade reporting and price quotation system, could be run by an independent contractor under the supervision of The Securities Association. Topic and Saef could be sold off alongside other competing services. The settlements system could be sold off as an independent company and alternative competing settlement systems could be encouraged with "bridges" between them, as happens with Euroclear and Cedel in the Euro-markets. The residual regulatory functions of the exchange, such as its listings department, could be handed over to the Trade and Industry Department.

But on the regulatory side, the exchange has a strong record. And some its business functions, in particular its settlements and price quotations systems, have large economies of scale which would make genuine competition difficult to achieve. Most Euro-market participants are sceptical about the intensity of competition on price and quality of service between Euroclear and Cedel.

However, to preserve a much humbler role for itself, the Stock Exchange will have to accept competition from member firms and outside suppliers for an increasing number of its services. And on the issue of the small order execution rule change, that means that a retreat, however skilfully fudged, is inevitable.

OBSERVER

Still life in the IEA

■ If the promised legislation on mergers in today's Queen's Speech is on the lines foreshadowed in yesterday's Financial Times, it will be a sign that the Institute for Economic Affairs is still very much an influence on government policy.

The IEA made its name in the 1970s when it propounded market economics before most people were ready to listen. It had a seminal effect on Margaret Thatcher and her mentor, the then Sir Keith Joseph. Very few quasi-academic institutes have ever played such a role in British politics.

The thinking behind the proposed Bill on mergers and takeovers looks like bearing a close resemblance to an IEA paper, The Logic of Mergers, by Brian Chiplin and Mike Wright of the University of Nottingham last year. The paper called for a set of merger guidelines. These would include pre-notification of planned mergers to the Office of Fair Trading. Companies could also say in advance which parts of the acquisitions they would expect to divest. All of that would save a great deal of time and bureaucracy without being anti-competitive and may become law next year.

Graham Mather, the General Director, says that the IEA is now working hard on guidelines for a European merger policy.

Next the Horn

■ One of the striking features of the breakthrough in the Namibia negotiations was the way Chester Crocker stressed what be called the constructive role of Anatoly Adamishin, the 54-year-old career diplomat who has been the Soviet deputy Foreign Minister since May 1986.

Adamishin, who worked in Rome from 1959 to 1965, is a confident, urbane man who cracks jokes with journalists and speaks English well enough to correct his interpreter. US officials say of him, echoing Mrs Thatcher on Gorbachev: "He's a man with whom we can do business."

So where next in Africa for US-Soviet co-operation? Adamishin gave part of the answer. Geneva, he said, could "lead to unblocking the conflict situation in southern Africa as a whole which still faces the task of dismantling apartheid in South Africa." That still leaves the Horn of Africa in need of superpower liaison. At least one suitable diplomat is already in place. Bob Frasure was the Africa expert at the US embassy in London until his posting to Pretoria. He recently moved on to Addis Ababa.

"I've just been served with a writ."

PM's crown

■ What is the British Institute of Fiscal Logic? A letter under its name in the Independent by a senior Labour MP saying that Margaret Thatcher lacks one small symbol of her power and authority and inviting him to contribute to a specially designed crown. The address is a PO box number in Canterbury. Neither the Shadow Foreign Secretary nor ourselves, however, have been able to trace the Institute. The crown is needed before the Prime Minister next goes to Moscow.

Soviet satire

■ The skill of the Soviet citizen in reading between lines and interpreting parables may fall into disuse, as the theatre, newspaper and television offerings become increasingly frank. Latest in a line of satires on the Soviet scene was Mikhail Bulgakov's "Heart of a Dog", broadcast on national television on Sunday and yesterday the talk of Moscow.

Bulgakov's novel, written soon after the revolution, concerns a doctor who transplants the heart and testicles of a dog onto a human: the human then becomes a Soviet commissar, behaves appallingly to everyone (including the professor, whose flat he progressively takes over and whom he threatens with death because he is a "bourgeois") and reaches the top of his tree as commissar for cats. In despair, the doctor performs a reverse operation — to find that the commissar's subordinates mourn the death of a great leader.

Bulgakov was harassed by the writers' union in the 1930s and published nothing for most of the decade. He went on writing, however, in the belief that "manuscripts do not burn". He died in 1940. His faith has been rewarded in his present popularity, and in the ways in which today's citizens still find the tale of the dog-man apt. Vladimir Bortko, the film's director, points to the persistence of powerful people "with the morals of philistines, distorted views and ideas, spiritual poverty and a desire for the easy life". Perestroika has not gone far enough to allow him to say whom he means: so there is still something to be read between the lines.

Secret courts

■ Few people realise how secretive are the 85 local committees — one in every local authority — advising the Lord Chancellor on the appointment of magistrates. Lord Mackay, the Lord Chancellor, is encouraging the local committees to reveal the names of their members and will require them to do so after 1992.

Why 1992? Because some of the 875 members of these committees made it a condition of their appointment that their names will not be revealed, and some of these may have another three years to run. The appointments are for six years and every three years half of the members are replaced.

Lord Gifford QC, the left-wing barrister, finds that they consist of "white, middle-class, middle-aged people sitting in judgment over working-class and often black defendants". That is only partly the result of the attitudes of the advisory committees. The allowances are also inadequate and, as such, bound to encourage the perpetuation of the category that Gifford deplores. Moreover, employers are not always keen to take on JPs who may be in court 35 days a year. Mackay is a reforming Lord Chancellor. He should go further.

Real bonds

■ George Bush is said to have thought of a new way of dealing with the deficit: Quayle bonds. They will have no interest and no maturity.

LETTERS

Some choose to stand and fight

From Mr William Hakes.

Sir, I could not agree more with James Buchan's comments (November 16) on the future vulnerability of Phillips Petroleum to takeover as it copes with the financial burden of an expensive and highly leveraged share buy-back scheme.

Phillips' possible future malaise is, however, characteristic of a segment within the petroleum industry which chose to stand and fight corporate raiders rather than run to a white knight for protection.

The successful stand-and-fight company channeled its management's energy into servicing a debt which hindered the search for new and replacement reserves (as Mr Buchan says). The company which found a white knight with deep pockets – such as Conoco in DuPont – had the protection and time to remain an aggressive exploration company in the middle of a falling oil market.

Only time will tell which corporate defensive strategy proves more successful, especially as the oil price remains stagnant.

It is a fairly safe bet, though, that if the price of oil fails to increase when this corporate debt is eliminated in the early 1900s, "streamline" companies will exist with no predator protection.

High leverage may then have been only a short-term defence.

William G. Hakes,
27 Ernle Road, SW20

Grading problems in the NHS

From Ms Ruth Ashton.

Sir, John Gapper writes (November 16) that the Royal College of Midwives (RCM) has "called its first ever day of action, in spite of its leaders' opposition to industrial disruption."

The Royal College of Midwives is in fact holding a national conference, which will be supported by local demonstrations, on November 22. There is no suggestion that members should be taking any form of industrial action: only last month our members reaffirmed the College's "no industrial action" policy in a postal ballot. Any demonstrations should be by members off duty, or during meal breaks.

The conference has been called as a result of widespread anger among midwives about failures to honour the national agreement on clinical grading. I can best illustrate the problems by saying that the Health Department has acknowledged that it is necessary to pay some student midwives on scales E or F if sufficient nurses are to be attracted into midwifery, but it has also told health authority general managers that newly-qualified midwives should be on a lower scale: D.

Many student midwives thus face the prospect of taking a pay cut when they qualify – or not using their midwifery qualification at all. I know of no economic theory which suggests that such pay and grading structures can ease an already very serious shortage of practising midwives.

Ruth M. Ashton,
General Secretary,
The Royal College of Midwives,
15 Mansfield Street, W1

From Mr Don Cruickshank.

Sir, You carried a story (November 16) saying that at St George's Hospital, London, some nurses' unions said that certain nurses' job gradings had been changed in response to industrial action.

This is not true. The facts are that nine sisters have changed their jobs, therefore their grades; there have been 17 amendments (out of 3,000 gradings) because the nurses in question and their managers had omitted information; and the changes were agreed before any industrial action took place.

Don Cruickshank,
Chairman,
Wandsworth Health Authority,
Grosvenor Wing,
St George's Hospital,
Blackshaw Road, SW1

The name of the game

From Mr William Pulman.

Sir, With the Christmas season soon upon us, you might be interested to learn of a novel game entitled "Stabilisation".

The rules are simple:

- The game is for two or more players. One player assumes the name "Regulatory Organisation"; the other players are called "Inexperienced Investors".
- The object of the game is for the Regulatory Organisation to destroy the Inexperienced Investors' confidence by constructing a confusing statement on the subject of stabilisation.
- Points are awarded to the Regulatory Organisation according to the number of times each Inexperienced Investor has to reread the statement before deducing its true meaning.

A recent gambit went as follows:

"Appendix E

(Rule 4.18(3)(b))

Stabilisation:

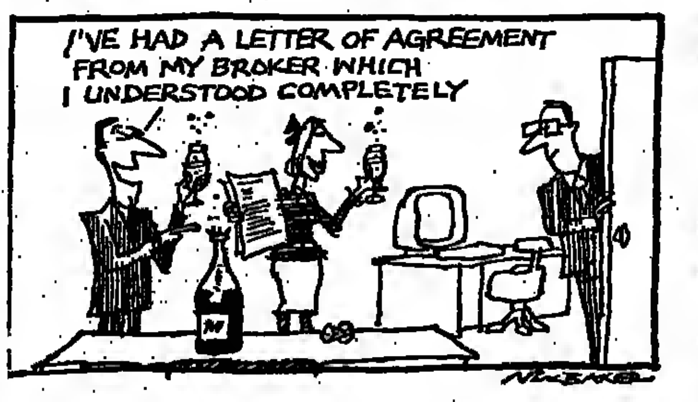
"This statement is made in compliance with rules of the Securities and Investments Board.

"(Name of firm) or its representatives may from time to time recommend to you or effect on your behalf transactions in securities the subject of a recent new issue the price of which transactions may have been influenced by bids made or transactions effected for the purpose of stabilising the price of those securities."

In this particular case, I hear that the Regulatory Organisation has yet to finish totting up its score . . .

Finally, you will note from the rules that Inexperienced Investors are unable to score points, and thus ere always losers.

William Pulman,
Thuya Cottage,
Lower Street,
Rode, Somerset



Return to 'go'

From Mr Ian D. Wade.

Sir, I was rather confused by the implications of Eric Short's article "Brokers baffle clients" (November 12). It is a welcome change of heart by the Securities and Investments Board (SIB) that brokers do not have to send out client agreement letters of ridiculous complexity. However, this is as a result of a long campaign by stockbrokers who did not want the document in the first place.

Please do not imply that we need any urging from the SIB. The influence has been entirely in the opposite direction.

The Stock Exchange has always been happy with "my word is my bond". The new laws were not of our making. We are only too happy that the new master of the SIB has caused common sense to prevail.

Ian D. Wade,
Chairman,
The Stock Exchange,
Margaret Street,
Birmingham

Back and forth they go

From Mr Egbert Zylema.

Sir, Chris Sherwell writes that Japan is importing "Japanese" cars from Australia (November 9).

As far as I remember the Mitsubishi car plant in Adelaide is an assembly plant. Many parts for the so-called Australian cars, with their "Buy Australian" logo on the rear, have to be imported from Japan first. So parts of the Magna will probably have crossed the sea earlier, in the other direction.

Where does the steel for those parts come from? Iron-ore, imported from Australia.

Egbert Zylema
9 Kaesomweg, Haren,
The Netherlands

Grammatici certant

From Miss S.E. Anderson.

Sir, We was really looking forward to seeing the Prime Minister. She come here with some people and lots of reporters 'cos our classroom didn't look as good as some of the others. Our teacher said he'd do it up, but he still ain't done it, 'cos he can't get the money for it.

I'm gonna get my teacher to write to Mrs Thatcher and tell her we need more money. He writes really quick and I think he's clever but my mum says he can't even write the Queen's English.

My mum don't like Mrs Thatcher. She says getting us to speak bad grammar is her way of frightening parents into sending their children to private schools so she don't hava to spend money on state schools.

My mum didn't go to university but sha ain't stupid. Maybe she's right.

S.E. Anderson,
34 Davey Drive,
Hollingdean,
Brighton, East Sussex.

Hardships of London travel

From *Mr Shobhana Madhavan.*

Sir, I have no doubt that Mr R. Mahmud (Letters, November 14) has legitimate cause for complaint with respect to the problems which he encounters in his journey to work.

However he really cannot pretend that "there is no choice."

He *chose* to live in Pinner, and to seek employment in central London – and employers in central London must pay salaries which reflect the difficulties of recruiting people prepared to endure the hardships he describes.

Improved services might lower this salary premium, and while there could be a short-term benefit to Mr Mahmud and his fellow travellers, these improvements would also tend to increase demand for travel on the London Underground – so congestion is liable to be a permanent feature.

In the end, workers in central London (and hence their employers) should receive what they are prepared to pay for, and London Regional Transport should be efficiently managed so that services are delivered in a cost-effective manner.

But it would be idle to imagine that the resulting situation would be in any way idyllic.

Shobhana Madhaven,
28 Newburn Street SE11

Managing to wander may be better than managing to walk

From Mr David Gibbs.

In his article "Suddenly it's all becoming blurred" (November 18), Michael Skapinker makes a mistake which, unfortunately, is all too common when dealing with the subject of MBWA. When this term was originally coined by Tom Peters it was, specifically: "Managing by Wandering Around", and not "Management by Walking Around".

This may seem at first a petty distinction. But when viewed more closely it becomes clear that it is not petty, but a critical part of Mr Peters' teaching.

"Walking," as defined by the Oxford English Dictionary, is to "perambulate" or "go from place to place," suggesting a specific destination or purpose to the act of walking. "Wandering," on the other hand, is to "go aimlessly," suggesting a far less ordered direction or goal than in the act of walking.

The reason for the distinction is that too many managers are out of touch with their own people – simply because they walk through their subordinates' workplace with the objective of seeing a particular person about a specific issue instead of getting in touch by wandering through that workplace – "naively listening," to coin another Peters phrase, to what subordinates have to say.

A similar strategy can equally successfully be employed when dealing with customers. To "wander" around a corporate customer's factory or office, talking naively, listening to people actually using the product, will provide far more insight than simply walking through that space to get to the purchasing director's office in order to discuss the size and price level of the next order.

As managers' roles become less specific and "Blurred Boundary Management" becomes more prominent in industry and commerce, a manager's ability to "wander" rather than "walk" will become more and more critical to his – and the organisation's – continued success.

David Gibbs,
Royce Hall of Residence,
Loughborough University of Technology,
Loughborough, Leicestershire.

From Mr David Fifield.

Sir, Whether published by design or coincidence on alternative days, I could not help but compare the messeges coming out of two of your management articles.

Jean Louis Barsoux (November 9) examined the French and British attitudes to elitism, and suggested the French held intellect and the quality of education in higher esteem.

Michael Skapinker's "Winners and Others" (November 11) reviewed the Economist's publication on business schools. On data drawn from the views of 200 senior European executives, a French school came out top, while an MBA conferred greater benefits on a continental manager.

For this conclusion to be reached, the British contributors must have been less enthusiastic about the part played by their national schools and the MBA qualification, thus agreeing with Mr Barsoux.

This deduction is then given a further twist, with the two schools of "excellence" – London and Manchester, set up in the 1960s – given lower ratings than three later entrants.

Interestingly, a transatlantic comparison of European schools, published in Fortune magazine on May 23 1988, put the French business school, Insead, top again, but with London second. On this occasion the rankings were based upon entrance standards, quality of faculty and the successful placing of graduates in highly paid positions: a more meaningful basis which I would support.

David M. Fifield,
Oaklands,
Weston Underwood,
Olney, Buckinghamshire

From Mr Peter Tray.

Sir, Mr Jean-Louis Barsoux's perceptive analysis of French and British attitudes to qualifications (November 9) reminds me that nothing seems to have changed since I heard the following, 30 years ago:

French: What does he know?
German: What can he do?
British: What sort of a chap is he?

Peter H. Tray,
Perestroika,
Victoria House,
Southampton Road, WC1

Requirements for further disarmament agreements

From the Ambassador of the German Democratic Republic.

Sir, I read Judy Dempsey's article ("New East-West conventional arms talks edge nearer," November 11) with interest.

The Final Act of the Conference on Security and Co-operation in Europe (CSCE) indeed adopted three main "baskets", which the signatory states unanimously agreed to regard as feasible only in unity.

However, it is too often forgotten that besides co-operation in the field of economics, science and technology and environment, and co-operation in humanitarian and other fields, the questions relating to security in Europe also belong to it – that is, as Chapter (or basket) I (see HMSO publication, Cmnd. 6198).

This is also forgotten by Judy Dempsey. But she is by no means the only one to forget this "basket", and to fabricate a new one instead. For a long time this has been a popular method with those who regard the fundamental issues of peaceful living together by states, contained in that "forgotten basket", such as sovereign equality, inviolability of frontiers, non-intervention in internal affairs and others, as thorns in their flesh.

Also, it is implausible that the minimum compulsory exchange of £8 demanded by the German Democratic Republic (GDR), which corresponds approximately to the price of a modest business lunch in London, should pose a serious obstacle both to a fruitful completion of the Vienna CSCE talks, and to travel to the GDR. The number of visitors per year, which nearly equals the total population of the GDR, speaks for itself.

The only truth here is that some Nato states demand amendment of laws in the socialist countries as a prerequisite for further disarmament agreements. How would they react if socialist states demanded that they change or amend their laws, or provide guarantees for ensuring the fundamental human rights, including overcoming homelessness and unemployment?

Gerhard Lindner,
Embassy of the German Democratic Republic,
34 Belgrave Square, SW1

FOREIGN AFFAIRS

The perils of being stateless

Edward Mortimer pleads the cause of the Kurds and the Palestinians

There was something obscene, if predictable, about the fact that Iraq was one of the first countries to recognise "the State of Palestine" proclaimed last week. The first rule of Middle Eastern politics, "my enemy's enemy is my friend," produces many cruel ironies; and not the least of them is that the two stateless peoples of the Middle East, the Palestinians and the Kurds, often find themselves on opposite sides.

Of course "the Kurds" and "the Palestinians" are abstract categories, and those who belong to them are in some degree victims of their own nationalism as well as other people's. Naither group, as their respective adversaries are fond of pointing out, has a history of independent or united statehood to look back to. The Kurds are defined by a "common language" divided into several dialects which are not all mutually intelligible. The Palestinians, sharing a language with their Arab neighbours, are defined by reference to a somewhat arbitrary place and time: the territory governed directly by Britain under the nama of "Paleatina", *between 1922 and 1948.*

What has made both Kurds and Palestinians identify themselves as such has been their treatment by other people. Kurds were oppressed politically and neglected economically by governments acting in the name of Turkish, Arab or Iranian nationalism. Palestinians found that they were living in a territory designated as "a national home for the Jewish people" – a project they could not possibly identify with since they were not Jews.

Palestinian identity has been stiffened by betrayals, humiliations and even massacres by "Arab" governments

Many Palestinians were literally driven from their homes, some were killed and many more fled fearing that they would be. All eventually found themselves living either under tha rule of the expropriators or as refugees in countries where they did not feel welcome or at home. Their Palestinian, as opposed to Arab, identity has been progressively strengthened by repeated betrayals, humiliations and even massacres at the hands of "Arab" governments.

*Last week in Algiers the Pal*estine National Council accepted the idea of an international conference attended by "all the parties to the dispute *in the region" and based on* Security Council resolutions 242 and 338. Resolution 242 has always been understood by all parties to imply recognition of Israel's right to exist in peace in its pre-1967 borders, which means in 78 per cent of the area the Palestinians regard as their homeland. So this was a remarkable decision for Palestinians to take.

Not surprisingly, they also said that the proposed conference should guarantee their right of self-determination "in accordance with tha United Nations resolutions relevant to the Palestine question." In the eyes of the New York Times, that is enough to invalidate the whole exercise. "These other resolutions," it said in an editorial on November 16, "cast doubt on Israel's legitimacy" – presumahly because some of them assert the right of Palestinian refugees to return to their homes. Few people now imagine this right can be exercised in practice, but it does seem extraordinary to expect Palestinians to renounce it before negotiations have even begun.

Similarly, the Naw York Times takes Yassir Arafat to task for "condemning violence outside Israel and the occupied territories, hut endorsing the 'armed struggle' within Israel." That would be an honourable position for a pacifist newspaper to take, but hardly for the leading newspaper of the world's greatest military power. In what other conflict would it expect the victims to renounce *unilaterally* their right of resistance? A ceasefire *during negotiations* would be a reasonabla demand (though other "liberation movements", in Vietnam for instance, have been ahle to fight and talk simultaneously). A ceasefire without negotiations, and with one side in control of all the territory, amounts to a demand for unconditional surrender.

Until this year, if asked which had had the worse deal, the Kurds or the Palestinians, I should have had to say the Palestinians. The Kurds, though denied any real antonomy (let alone independence or national unity), had at least mostly been left in possession of their lands and homes. Bnt this year a fate has overtaken the Kurds of northern Iraq which surpasses in horror everything yet done to the Palestinians.

Tonight on Independent Television News, and at greater length tomorrow night on Channel 4, British viewers will be able to hear the first-hand account hy four survivors of the massacre at Bassay Gorge on August 29, wben something between 1,500 and 4,000 people, mainly women and children, were killed – by what appears to have been a mixture of various nerve gases – while trying to reach the Turkish border. Their bodies were piled up and burnt hy Iraqi troops wearing gas masks the following morning. According to Gwynne Roberts, a very experienced reporter who has just returned from filming the survivors in Iran, they were traumatised by what they had witnessed, and their reports were completely consistent.

He hss also brought hack from Iraq fragments of an exploded shell with samples of the surrounding soil, which have been confirmed by a British laboratory as containing traces of mustard gas. (Nerve gas would not leave traces so long after the event.)

Those events occurred at the end of August, but the leader of the Iraqi Kurdistan Front, Mr Jalal Talabani, has claimed that the chemical attacks were renewed, in a different, less accessible area of Iraqi Kurdistan, in mid-October – *after* the Iraqi foreign minister, Mr Tariq Aziz, had assured the US that Iraq would not use chemical weapons in the future.

On August 26, ironically at the very time when Iraq was embarking on its genocidal offensive, the UN Security Council passed a resolution promising to take "appropriate and effective action" against anyone using chemical weapons in tbe future. After the first reports of the offensive, some members of the Security Council, including Britain, asked the Secretary-General to send a mission to investigate; and the US Senate passed a bill intended to impose economic sanctions on Iraq.

Both Iraq and Turkey refused to admit the investigators. Yet tbe Senate bill, after being watered down in conference with the House was eventually lost in a procednral wrangle at the end of the session, *while the Security Coun*cil has not even discussed tbe matter further. On the contrary, Western countries have been falling over eacb other in the rush for contracts witb "post-war" Iraq. Mr Tony Newton, for instance, Britain's Minister of State for Trade and Industry, visited Baghdad two weeks ago and announced a doubling of British export credits to Iraq in 1989.

This year a fate has overtaken the Kurds of Iraq which surpasses in horror everything yet done to the Palestinians

A number of lessons can be drawn from this affair:

- Chemical weapons are effective and can he used witb impunity, against troops and civilians alike.
- The UN Security Council is a toothless poodle.
- The Kurds have no friends. *But they knew that already.*

FINANCIAL TIMES
Tuesday November 22 1988

Overhaul for Africa's rusty graveyards

Nicholas Woodsworth looks at a project to get agriculture back into production

AFRICA'S elephant graveyards – the legendary places where elephants go to die – may or may not exist. Despite the best efforts of generations of explorers and ivory hunters, such locations have never been found. Walk into the yard of any commercial farm on the continent, on the other hand, and chances are that you will stumble on to a less mythical but equally African site – a tractor graveyard.

In the West, the idea of abandoning a tractor because a part has worn out or a fuel pump has broken is ludicrous. But in many African countries where falling commodity prices and growing debt obligations have reduced the availability of foreign exchange, farmers are doing just that.

Without the hard currency necessary to buy vital imported spare parts for proper maintenance, African farmers often operate machinery until it breaks down and then abandon it. Thus while food needs across the continent are daily growing more pressing, domestic agriculture is being held back for lack of functioning equipment. It is estimated that about 100,000 tractors which might have been repaired and sent back to the fields are now littering farmyards and scrap-heaps from Khartoum to Harare.

Zambia is one of many African countries where tractors are fast becoming an endangered species. In the past, high profits from copper – the source of 90 per cent of Zambia's hard currency – ensured farmers reasonable access to foreign exchange. A decline in world copper prices and economic mismanagement in recent years, however, has dramatically altered Zambia's balance of payments. A break with the IMF in 1987 cut its access to foreign exchange support programmes.

While the Zambian Government in theory now recognises that priority must be given to agriculture in order to diversify the economy and escape its dependence on copper, in practice little foreign exchange is available to farmers or agricultural spare parts importers.

What scarce hard currency does come into agriculture is earned by the small proportion of farmers selling export cash crops. By contrast, growers of maize, the nation's staple food, complain of rarely succeeding in their applications to government for foreign exchange allocations.

The practical results have been dramatic. Of the 18,000 tractors in Zambia, only 6,000 are now estimated to be operational. While the remainder sit idle for want of relatively inexpensive overhauling, maize imports requiring large amounts of hard currency are required to make up national shortfalls.

Many smaller commercial farmers have quite sensibly (in the circumstances) reverted to ox-powered agriculture, but Jumbo van Blerk is one of a number of Zambian large-scale farmers who have solved some of the problems. On his 1,000-acre farm in the extensively cultivated agricultural belt surrounding the capital city of Lusaka, he maintains a stable of eight ageing tractors. While some are 15 years old and one dates from 1958, all are in working condition and see regular service.

Part of the answer is meticulous care. Mr van Blerk does not over-use his tractors and spends hours maintaining them in his on-farm workshop. Very few Zambian farmers operate like this. Their mechanical knowledge is minimal and sometimes non-existent, facilities are rare outside urban areas and demands are heavy. On the sugar cane plantations in the south of the country, for example, tractors are often driven 24 hours a day for four months during the harvest season. Few stand up to this kind of treatment for long.

The other part of Mr van Blerk's success with tractors lies in an innovative programme financed by the British Overseas Development Administration (ODA) and undertaken by Massey-Ferguson and Power Equipment, a Zambian subsidiary of the British-based multinational Lonrho.

The programme consists of making available Massey-Ferguson's Rehabilitation, Overhaul and Certification programme, known as ROC. Using imported Massey-Ferguson tractor kits, Power Equipment – the largest distributor of agricultural equipment in Zambia – rehabilitates old tractors otherwise headed for the scrap-heap.

The kits, which transform ailing and aged Massey-Fergusons into almost entirely new, warranty-backed machines (only the original chassis, rear axle, gearbox and centre housing are left) are paid for by the ODA. For this service the farmer pays 70 per cent of the cost of a new machine and these counterpart funds are handed over to the Zambian Government with no strings attached. The enormous advantage to the farmer is that he pays not in foreign exchange, but in local currency.

The programme has been a great success with local farmers. Jumbo van Blerk had two of his old Massey Fergusons rehabilitated.

Mr Bobby van der Merwe, the general manager of Power Equipment, notes: "The foreign exchange situation is so critical in Zambia that farmers have difficulty buying oil filters. The ROC programme now offers them four or five years of trouble-free service."

Zambia was the first country in which the ODA launched the ROC programme. Since 1985 it has proved so popular that it has been extended to Malawi, Zimbabwe, and Mozambique, all countries with critical foreign exchange problems. For the relatively small sum of £2m, 400 tractors belonging to private farmers and government parastatals have been revived so far. The economic benefits accruing from the programme are, of course, far higher. And while the tractor graveyards of Africa have not disappeared, at least a few of their inhabitants have been brought back to life.

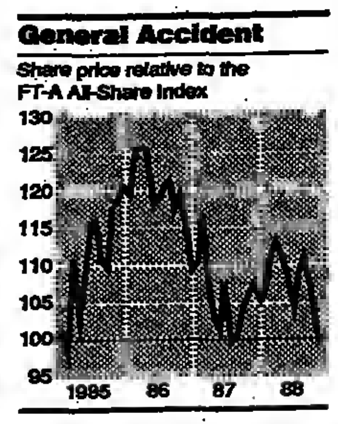
Sugar harvesting in Kenya: constant use of tractors for several months leaves many in disrepair

An expensive package for Pechiney

Even by recent US standards, the story of American National Can is becoming slightly bizarre. Having been assembled in the hugely leveraged form of Triangle Industries, it has now been sold to a French nationalised industry so that it can be re-leveraged, put together with Canadian and Australian aluminium plant, and privatised on the Paris bourse. Though the financial details are obscure, almost everyone seems to be coming out ahead: Messrs Peltz and May of Triangle end up with the rump of the business and over $800m of Pechiney loan notes, and Triangle's minority shareholders collect a price of $56 for shares which last Friday were trading at just over $10. The only loser, perhaps, is the French taxpayer, who seems to be contributing FFr1bn to help Peltz and May make their getaway from a business which lost $20m net in the first half of this year.

That government subsidy will doubtless be drawn to the attention of Brussels by ANC's competitors. They will need all the help they can get. ANC is already the biggest can-maker in the world, and buys aluminium equivalent to two thirds of Pechiney's production. This kind of vertical integration does not guarantee profit; Reynolds of the US, which pioneered it in drinks cans, lost money in two years out of the last five. If anything, it carries the reverse risk of uneconomic pricing, especially with the French Government retaining 75 per cent of the business after flotation.

The high rate of corporate activity in the packaging industry will doubtless continue. The deal should not impinge directly on the MB/Carnaud venture, which makes food cans out of tinplate. But it plainly relates to the reorganisation going on in the brewing and soft drinks industries. Pechiney's strategy may not be wholly clear, but it evidently appreciates that this is a game for big players.



Building societies

One has only to look at the plight of the US savings and loan industry to understand why European regulators are so nervous about dismantling the various barriers surrounding the EC housing finance market. The rapid deregulation of the US housing finance industry spawned a whole new generation of entrepreneurial financial institutions whose attitude to banking risks made even the US money centre banks look highly conservative. The rescue of many of the 500-odd insolvent institutions in the US has had to be postponed because the authorities do not yet have the resources, and if the sum needed comes anywhere near the $70bn plus being estimated, then hopes of reducing the US budget deficit look fanciful.

Yesterday the Governor of the Bank of England added his weight to those counselling the UK building societies to move cautiously in exploiting their new powers. As lender of last resort to the banking system, it is perhaps not surprising that the Bank does not want to see a rush of building societies seeking banking status. However, the main message from the US savings and loan debacle is that it was the absence of adequate supervision, rather than deregulation itself, which caused the problems. As long as supervision of UK financial institutions remains split between several bodies, then there is always a danger that the building societies, like the US savings and loans, will be less well supervised.

General Accident

Strictly speaking, General Accident is no doubt justified in arguing that yesterday's loss provisions from NZI Bank cost the company no more than Hurricane Gilbert. But then again, General Accident did not spend £380m to buy Hurricane Gilbert; nor is it about to increase its exposure to that particular liability, as it is to NZI.

Reading between the lines of General Accident's nine month results statement earlier this month, it was already clear that the market's worst fears about NZI's banking operations were about to come true. Yesterday's news of NZ$217m in write-offs and provisions from the bank did little to disturb the composure of a share which has already lost some 10 per cent of its value relative to the market since Antipodean rumours started in earnest. But the value of General Accident's investment in NZI has fallen even further: NZI shares closed yesterday nearly two-thirds below the average 212 cents which General Accident paid for its 51 per cent stake. Luckily for General Accident, NZI stands to refund the company NZ$180m of the purchase price because some General Accident businesses included in the deal have since appreciated in value. But that will scarcely make NZI look a bargain, even so.

There was always a danger that the bank would prove the booby prize in the NZI package; and yesterday's reassuring noises from NZI on the level of banking reserves recalls similar assurances issued six months ago, which were yesterday proved over-optimistic. General Accident is asking shareholders to trust its judgment that the worst is now over at NZI Bank. In the near term, they may be little inclined to do so. But a prospective yield of nearly 7 per cent, and the good track record of the General Accident management, should do its bit to help.

Merchant banks

Apart from the retailers, the UK merchant bank sector is one of the most unloved sectors of the stock market, and there is little reason to expect the gloom to lift in the near term. All of them, apart from Morgan Grenfell which continues to be buoyed by takeover rumours, have underperformed the market over the last year. Indeed, it is rather surprising to see the shares of Schroders and Hambros, both of which have adopted very different strategies from the big integrated houses, perform worse than S.G.Warburg, whose first half results tomorrow are unlikely to be exciting.

In Hambros case the worry is that its estate agency affiliate may not be as profitable next year as it has been so far, and in Schroders' case a yield almost half the average is no attraction in these uncertain times. However, the outlook for the smaller merchant banks may still be better than their larger peers. Contrary to conventional wisdom the economies of scale in the origination and distribution of equity securities, if not debt, have yet to be proven; and similarly, corporate finance business shows no special allegiance to the larger firms.

Britain warned over attitude to 1992

By Guy de Jonquieres, International Business Editor, in London

SENIOR political figures from Bonn and Brussels warned Britain yesterday that it would damage its own interests if it continued to balk at European Commission proposals to harmonise indirect tax rates and abolish frontier controls by 1992.

Mr Martin Bangemann, the West German economics minister, told a FT conference on "Europe 1992 and Beyond" in London that he knew tax harmonisation was particularly difficult for Britain. However, decisions could not be postponed if the single market timetable was to be respected.

"Those seeking to exclude tax harmonisation and the elimination of border checks from the completion of the internal market should realise that they will have to sacrifice a good portion of the anticipated growth and employment that would result from genuine market integration," he said.

The UK position was criticised even more strongly by Lord Cockfield, who retires at the end of this year as the British internal market commissioner. He said Britain's arguments against the tax and border proposals could also be used to prevent the free movement of goods after 1992.

"What concerns me is that the policies currently pursued by our government in this particular field will load upon the shoulders of British trade and industry all the costs, the detriments and the disadvantages of frontiers and frontier controls at the very moment when our fellow members of the Community – our competitors, let us be blunt about it – are casting off those burdens.

"If our government proposed an export tax on everything we sent abroad, there would be an outcry. But that is precisely what will happen unless the government is prepared to accept the logic of the White Paper programme and the commitments in the single European act," he said.

He called on trade and industry to insist that Britain take full advantage of the opportunities open to it in Europe.

However, Mr Francis Maude, Parliamentary Under Secretary for Corporate Affairs, said the British were frequently criticised because they were particularly good Europeans. They took Commission proposals seriously and were willing to suggest constructive alternatives when they had problems with them.

Mr Bangemann, who will join the European Commission in January, said he shared Mrs Margaret Thatcher's criticisms of excessive bureaucratic centralisation in the EC, but thought such fears were greatly exaggerated.

Building societies warned, Page 11; FT conference, Page 18;

Accounting watchdog proposes tighter rules

By Richard Waters in London

THE ABILITY of investors to compare the performance of companies in different countries could be significantly increased if new rules proposed by the International Accounting Standards Committee (IASC) gain widespread acceptance.

Meeting earlier this month in Copenhagen, the committee agreed a series of changes which will make its accounting rules far stricter than at present.

This is intended to meet demands for more comparable financial information, which have become more common with the development of international capital markets in recent years. Different accounting methods and restricted levels of disclosure make it impossible in many cases to compare companies in different countries.

If successful, the initiative will also help companies listed on stock exchanges in more than one country. At present, they face the administrative burden and extra cost of preparing different accounts for each market.

Stock exchanges in several countries, including the UK, already accept overseas companies which comply with IASC rules, rather than local accounting rules. The IASC is now trying to overcome the resistance of other securities regulators, who claim that the international rules are too loose and do not provide adequate protection for local investors.

Although the IASC has no power to force companies to comply with its rules, national standard-setting bodies frequently seek to follow IASC guidelines.

The IASC's board agreed to abolish 23 accounting options in 13 of its standards. It said it would leave open 12 of its most contentious options, but specified in each case which method it preferred. Companies using the other method will need to produce a note showing the effect of complying with the preferred treatment.

Bhutto's rivals refuse to accept woman as PM

By Christina Lamb in Islamabad

THE ISLAMIC Democratic Alliance, Pakistan's second largest political party, which is vying with Ms Benazir Bhutto's Pakistan People's Party to form the country's next government, said yesterday it would not accept a woman as Prime Minister.

"If Benazir Bhutto is asked to form a government we will mobilise public opinion against the decision and appeal to the Shariat (Islamic) court," Aga Pooya, Information Secretary of the IDA, said. The IDA would ask the Supreme Court to amend the constitution "in accordance with the Koran."

The PPP emerged as the largest political party in last week's general election, but with insufficient seats to secure an absolute majority.

Both Ms Bhutto and Mr Nawaz Sharif, leader of the IDA, are to meet Mr Ghulam Ishaq Khan, Pakistan's acting president, in Islamabad today. Each claims the right to be asked to form a government following the elections, in which the PPP won 93 of the 207 contested seats and the IDA 55.

Ms Bhutto spent yesterday in talks with Mr Altaf Hussein, leader of the MQM whose 13 seats are crucial to both sides. She described the talks as "encouraging."

UK rejects Italian bank chief

By David Lascelles in London and Alan Friedman in Milan

THE Bank of England has asked ItaB, a UK bank owned by an Italian banking consortium, to replace its chairman, Mr Mario Bortolussi, because he is not "fit and proper" as required by UK banking law.

The Bank is believed to have been concerned about Mr Bortolussi's past association with Mr Roberto Calvi, the controversial financier who was found hanged under Blackfriars Bridge in 1982. For nine years, Mr Bortolussi headed Pachetti, a company belonging to Mr Calvi's Banco Ambrosiano empire.

Mr Bortolussi became chairman of ItaB last summer after two of the bank's four owners sold out to the other two, the Cassa di Risparmio di Torino and the Credito Romagnolo.

Last week, the Bank summoned Mr Enrico Filippi, the chief executive of the Cassa di Risparmio di Torino to make its views known. The Bank declined to comment on the situation last night.

Mr Alfredo Macchiati, an executive at the Cassa di Torino, said yesterday that the Bank of England "did not appear to judge Mr Bortolussi to be fit and proper for ItaB." The Cassa di Torino plans to submit a short list of successors to Mr Bortolussi to the Bank of England and expects to name a new chairman by January, Mr Macchiati said.

Under the 1986 Banking Act, directors and managers of UK banks must be judged "fit and proper" by the Bank of England. Mr Macchiati said, "In Italy we have different rules about fit and proper. In Italian law someone is unfit and improper only if they have actually been convicted on charges. Mr Bortolossi was never convicted of anything."

Mr Macchiati said he knew nothing of Mr Bortolussi's alleged association with the late Mr Calvi. However, he said that "last June we did not inform the Bank of England that we had changed the ownership of ItaB, nor did we inform the British central bank that Mr Bortolussi had been appointed as the new chairman. But it was only an oversight."

Mr Machiatti said that his bank had now informed the Bank of England that it would like to buy out the 50 per cent stake held in ItaB by Credito Romagnolo and appoint a new board of directors. This is likely to cost around £12m ($22m).

ItaB was formed in 1984 by four Italian banks to spearhead their entry into the international markets. The bank has assets of around £200m, and capital of £25m. But its performance has been poor, with reported pre-tax profits last year of just £100,000.

Iraqi leadership faces serious rift

Continued from Page 1

Just as serious is the possibility that the killing of Mr Jajjo may have caused a crack in the informal family of old revolutionary colleagues and retainers from the town of Takrit with which the President has surrounded himself.

Mr Jajjo is believed to have acted as Mr Hussein's bodyguard since well before he became President more than nine years ago.

Iraq is a country in which blood feuds are common.

Uday was well known for his flamboyant and undisciplined behaviour and had been accused of murder on at least one previous occasion, during a quarrel in a Baghdad discotheque in 1986, according to informed observers in the Iraqi capital.

He graduated from engineering college two years ago and became president of Iraq's Olympic committee and its football federation, but he was reported by Iraqi newspapers to have resigned both posts on November 6 "for personal reasons."

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	12	54	Dubrovnik	C	15	59	Malta	F	19	66	Rhodes	F	20	68
Algiers	F	21	70	Edinburgh	S	01	34	Manchester	F	02	36	Rio de J'o	C	35	95
Amsterdam	F	03	37	Faro	F	18	64	Manila	F	31	88	Rome	C	14	57
Athens	C	16	61	Florence	F	12	54	Melbourne	F	15	59	Salzburg	Sn	06	52
Bahrain	F	23	73	Frankfurt	F	03	37	Mexico City	F	25	77	San Francisco	C	13	55
Bangkok	F	30	86	Funchal	F	21	70	Miami	F	28	82	Seoul	C	15	59
Barcelona	C	11	52	Geneva	C	06	43	Milan	C	06	43	Singapore	C	31	88
Beirut	F	15	57	Gibraltar	R	17	63	Montreal	R	03	37	Stockholm	S	-9	16
Belfast	C	02	36	Glasgow	S	02	36	Moscow	F	-7	19	Strasbourg	C	-1	30
Belgrade	C	04	39	Guernsey	F	06	43	Munich	Sn	-3	27	Sydney	C	27	81
Berlin	F	00	32	Helsinki	F	-9	16	Nairobi	R	23	73	Taipei	F	24	75
Biarritz	F	06	43	H. Kong	F	22	72	Naples	F	19	66	Tangier	C	17	63
Bombay	S	32	90	Innsbruck	C	01	34	Nassau	C	30	86	Tel Aviv	F	21	70
Bordeaux	S	05	41	Inverness	C	01	34	New Delhi	F	27	81	Tenerife	S	23	73
Brussels	S	01	34	Islamabad	C	25	77	New York	R	15	59	Tokyo	R	13	55
Budapest	Sn	-1	30	Istanbul	C	15	59	Nice	R	15	59	Toronto	R	06	43
B. Aires	C	25	77	Jakarta	F	32	90	Nicosia	R	15	59	Tunis	S	20	68
Cairo	F	22	72	Jersey	F	07	45	Oporto	F	14	57	Valencia	F	16	61
Cape Town	S	26	79	Jo'burg	F	21	70	Oslo	F	-3	26	Venice	R	04	39
Caracas	C	26	79	Lima	F	23	73	Paris	F	06	43	Vienna	Sn	-3	27
Casablanca	C	21	70	Lisbon	R	17	63	Peking	S	09	48	Warsaw	C	00	32
Chicago	F	04	39	London	C	04	39	Prague	Sn	-4	25	Washington	C	11	52
Cologne	F	01	34	Los Angeles	F	22	72	Reykjavik	C	04	39	Zurich	Sn	-3	27
Copenhagen	S	-3	27	Luxembourg	S	-3	27								
Corfu	F	18	64	Madrid	C	06	43								
Dallas	F	01	34	Majorca	F	13	55								
Dublin	F	06	43	Malaga	R	15	59								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Bush appoints Darman to key post

Continued from Page 1

from Social Security, would be an area he would look towards for savings. Entitlement programmes are Federally funded programmes for which expenditures are limited by the number of people who qualify for benefits.

Mr Busb also announced that he intended to reappoint Mr Richard Thornburgh (56), a former Governor of Pennsylvania and head of the Justice Department's criminal division, as Attorney General and Mr Lauro Cavazos (61) who took over in September as Education Secretary. Mr Cavazos's appointment would appear to fulfil a pledge Mr Bush made to appoint an Hispanic to his Cabinet.

The three appointments will be seen in Washington as strengthing the ranks of the moderates in the new Administration, since none of the men has close links with the conservative wing of the Republican party. Mr Darman's appointment is particularly significant in this respect for, as budget director, he occupies a key Cabinet position in an office located adjacent to the White House.

Last week, in a move which was widely seen as reassuring to conservative Republicans, Mr Bush announced that Mr John Sununu, the combative 49-year-old former Governor of New Hampshire would be his chief of staff. Earlier Mr Bush announced that Mr Baker, his close friend of 30 years and campaign chairman, would be Secretary of State and that another old friend, Mr Nicholas Brady, would stay on as Treasury Secretary.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday November 22 1988

INSIDE

Balance sheet bargaining

A week of hard bargaining by accountants from 13 countries has produced agreement to abolish 35 accounting options that make it difficult or impossible to compare the performance of companies from different nations. The rapid development of international capital markets has emphasised the need for internationally comparable financial statements. Richard Waters examines the progress. **Page 31**

Bayer to boost dividend

Bayer, the West German chemicals group, plans to pay a higher dividend for 1988 on a probable increase of more than 20 per cent in this year's group pre-tax profits. Mr Hermann Strenger, the chairman, said yesterday that 1988 would go down as the best in the company's history. **Page 26**

Pechiney hits the big time

Pechiney, long regarded as the Cinderella of the French industrial state sector, has been propelled suddenly into the big time with yesterday's $1bn acquisition of American National Can and the decision to build a new smelter in northern France. Paul Betts reports on the dynamic industrial strategy of France's nationalised aluminium and metal fabricating group. **Page 38**

Water, water, everywhere . . .

The leaching of nitrates into Britain's water supplies has prompted a reappraisal of some farming and fertiliser methods against a background of an EC directive governing the quality of drinking water. David Richardson argues that the standard may have more to do with politics than science and that urgent action may be required in many more areas. **Page 44**

Coming of age in Jakarta

Jakarta's infant stock exchange is about to come of age. This week sees the start of trading in Jakarta International Hotel, the exchange's first share issue in almost five years. The market has been primed by new rules that allow foreigners to buy stock and certain tax reforms. But fundamentals remain hard to pin down. John Murray Brown reports. **Page 48**

Japanese building boom

The boom in the Japanese building industry has resulted in a sharp rise in profits from the country's leading civil engineering and construction contractors. But there are some indications that growth may now be slowing. Gordon Cramb reports from Tokyo. **Page 27**

Whim Creek board members go

A row over the offshore investments of Whim Creek, a quoted Australian resources company, yesterday saw the chairmen, chief executive end e third director unexpectedly thrown off the board by its four Australian non-executiva members. **Page 30**

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Allianz	1776	+	32
BASF	275.6	+	2.4
Karstadt	418.5	+	3.5
Mannesmann	192.5	+	3.5
Veba	268	+	5
Falls			
Nixdorf	367	−	11.5

NEW YORK ($)

Rises			
Henley Manufg.	63	+	7½
RJR Nabisco	85⅞	+	2¼
Falls			
Graphic Scan.	6⅛	−	1⅜
MAI Basic Four	8⅞	−	1⅞
Pillsbury	56⅞	−	⅞
Prime Comp.	16	−	½

PARIS (FFr)

Falls			
Aussedat-Rey	550	−	30
Club Med.	491	−	21
Matra	215.8	−	11.2
Nav. Mixte	1174	−	46
Sligos	825	−	47
Vallourec	237.2	−	12.8

TOKYO (Yen)

Rises			
Koyo Seiko	1180	+	150
Daido Steel	1350	+	150
Taihei Kogyo	1120	+	120
Falls			
Katakura Ind	2170	−	260
Nippon Valqua	990	−	80
Taito	2040	−	150

LONDON (Pence)

Rises			
STRWarrants	64	+	9
Collins (Wm.)	828	+	43
Davies (DY)	112	+	7
Eurotunnel Wts	401	+	12
Kentish Prop.	105	+	7
Lilleshall	185	+	9
Ptarmigan	75	+	5
Tranwood	40	+	5
Volex	425	+	23
Falls			
City Gate Est.	300	−	8
Diploma	205	−	5
Enterprise	514	−	10
LASMO	483	−	11
Lonrho	388	−	18
Pearl	405	−	11
Sedgwick	212	−	5
Walker G'bank	80	−	47

Doubtful loans force NZI into loss

By Nick Bunker in London

DOUBTFUL loans in Australia forced NZI Corporation, the New Zealand-based insurance and banking group, to report a half-yearly loss of NZ$180m ($115m) yesterday, only four months after the group became a 51 per cent subsidiary of General Accident, the UK-based composite insurer.

General Accident, which bought control of NZI as a long-term strategic move to expand in the Pacific Basin, now faces the task of helping rebuild NZI's balance sheet by taking up the lion's share of a rights issue for just under NZ$290m.

Since GA is to underwrite the issue, it could leave the composite insurer with up to 67 per cent of the New Zealand group if minority shareholders fail to subscribe for their shares.

The scale of the problems in NZI's banking subsidiary have come to light since GA unveiled the deal to take 51 per cent control, primarily by acquisition for £264m of a 38 per cent in the New Zealand group previously owned by Brierley Investments.

The problems have arisen partly from NZI's exposure to corporate defaults triggered by the recent collapse of Rothwells, a Western Australian merchant bank.

Both NZI and GA claimed yesterday, however, that NZI banking employees had failed to advise the group's board of the true state of its loan book earlier this year.

Mr Roger Clarke, chief executive of NZI Bank, resigned on October 28.

Mr Ian Menzies, the general manager at GA chiefly responsible for negotiating its deal with NZI, said NZI's board "may have been misled".

In June, NZI said it was writing off NZ$97m in doubtful loans but gave no hint that any further provisions would be required.

Yesterday's announcement said that besides writing off a further NZ$34m, NZI was increasing its provisions against doubtful loans by NZ$183m to total NZ$283m.

The blow to GA from NZI's banking problems is cushioned, however, by the terms of the original deal which the two parties struck this summer.

In addition to buying Brierley's 38 per cent stake, GA acquired control of NZI by merging it with its own Australian and New Zealand insurance operations.

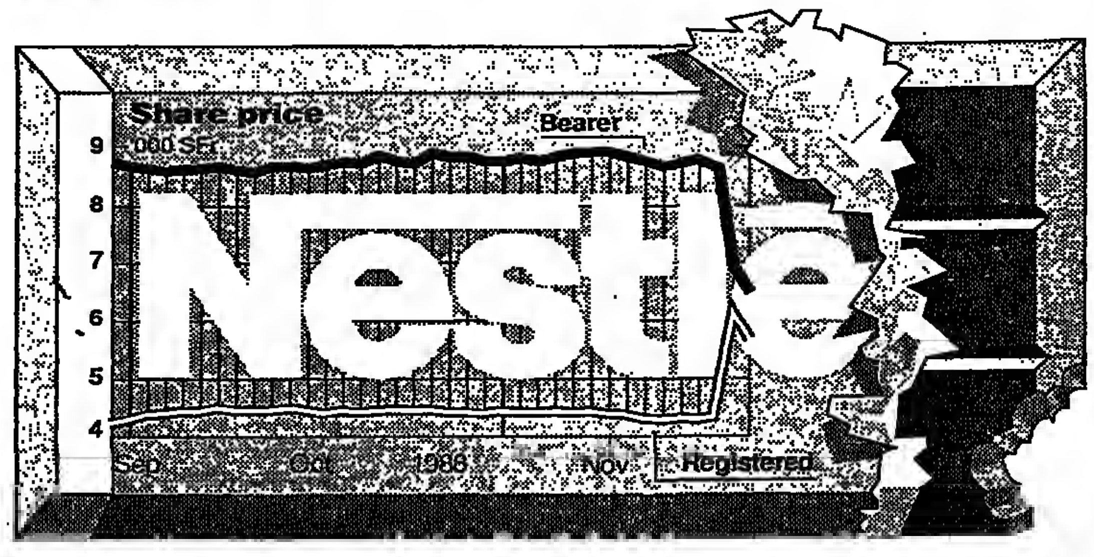
As a result of appreciation in the asset value of these operations, NZI has to repay GA a total of NZ$180m, offsetting what it will have to contribute to the rights issue.

GA's share price lost 0.5p to close at 828.5p in London last night, but the group's shares had already fallen from a high of nearly 950p in June, when its acquisition of control of NZI was first announced.

In its third-quarter 1988 results, announced 10 days ago, GA reported a £5.3m revenue charge which it said reflected fully the problems at NZI. Total group pre-tax profits for GA were £223.5m for the nine months to September 30.

Nestlé breaks market mould

William Dullforce examines the implications of the Swiss food group's share-ownership bombshell



MR Reto Domeniconi, Nestlé's finance director, was frank about the havoc. "We have made a lot of Swiss happy and a lot of foreigners mad," he said on Friday at the end of the first day's trading after the foods group had exploded its bombshell under the Swiss stock market by announcing that it was opening its registered shares to purchase by foreigners.

"I am putting up a big umbrella until the [share] price settles at a reasonable level," he added.

His comment reflects the wrath of Nestlé's foreign shareholders, who have seen more than 20 per cent wiped off the value of their bearer stock, while Swiss holders of registered stock have reaped a 40.5 per cent increase in the value of their investment.

However, Mr Domeniconi's comments also express his conviction that the market will eventually see the virtues of Nestlé's move.

These will be the opening up of international capital markets for new Nestlé share issues and the removal of distortions on the Swiss equity market caused by the large premiums at which bearer shares trade compared to registered shares.

It is "unreasonable," argues Mr Domeniconi, that the registered stock of the world's largest food manufacturer, with a cash flow of SFr3bn ($2.07bn) and net earnings of SFr1.8bn, should be priced on the market at 7 times net profit, compared with ratios of 12 for Unilever, 16.3 for Kraft and 14.5 for France's BSN Group (all on estimated 1988 earnings).

Obviously, the action of a company that accounts for some 11 per cent of total Swiss market capitalisation has far wider repercussions. Foreign shareholder's rancour has been matched by widespread resentment in fellow Swiss companies who feel that Nestlé is forcing their hands and thrusting them towards painful and risky decisions about whether or not to follow suit and open their registered stock to foreigners.

Initial reactions from the big Basle-based chemical concerns has been hostile. Sandoz, which saw the price of its bearer shares plunge by 22 per cent on Friday, has indicated that it will not follow Nestlé's example.

However, even if they are criticising the form in which Nestlé delivered its bombshell, brokers and investment managers appear to be warming to the view that Switzerland's biggest company has burst an out-dated mould and given the Swiss stock market a push in the right direction.

Nestlé's move is the culmination of months of unrest and argument in Swiss business circles, during which several Swiss companies, including big chemical concerns such as Ciba-Geigy and Sandoz, have been tightening their control over the registration of shares as a defence against takeovers.

These measures have been drawing increasingly harsh reaction from abroad, particularly at a time when Swiss companies, emulating Nestlé's purchases of the UK's Rowntree and Italy's Buitoni, have been making takeover bids for foreign concerns.

Foreign resentment has been matched by domestic warnings from people of standing, such as Dr Markus Lusser, president of the National Bank.

They point out that the undervaluation of Swiss shares resulting from the shareholding restrictions is deterring foreign investors from using the Swiss financial centre.

Companies' restrictive practices are also tying the hands of Swiss negotiators trying to come to terms with the Brussels Commission on relations between the Swiss and other European countries in the run-up to the European Community's single market in 1992.

In the long run, the Swiss can foresee action from the Community to prevent Swiss companies buying EC concerns.

Swiss multinationals seeking fresh equity capital run the risk of being restricted to a domestic market, where their share prices are grossly undervalued. Nestlé faces this situation in refurbishing its equity after the Rowntree and Buitoni purchases, which cost it some $5.5bn. If the changes to the statutes on registered stock are agreed by shareholders, the company will make a large equity issue in the spring.

Self-interest is clearly uppermost in Nestlé's sudden decision, but it is fitting that the first decisive move to resolve the problems surrounding Swiss companies' relationships with foreign investors and the Swiss equity market's place in a global market should come from a company boardroom.

Restrictions on foreign ownership of shares are written into the statutes of nearly all Swiss companies, but they are not obligatory.

Consequently, the shape of share control varies considerably from one company to another. Nestlé's example is fairly simple. It issues registered and bearer shares with the same par value and voting rights, but until last Thursday had ensured that the registered shares made up two-thirds of the total and could be held only by Swiss investors.

Other companies' bearer shares carry different par values and voting rights from their registered stock. Untying the restriction on foreign investors therefore poses a particular problem for each company.

This is one reason, in addition to fundamental questions of strategy and principle, why other companies cannot follow Nestlé's lead blindly. Sandoz says spitefully that its aim is to look after the interests of all its shareholders, including holders of bearer shares.

Swiss insurance companies, in particular, may have been put on the spot by Nestlé's move. They are so undervalued by the market that, in some brokers' views, a lifting of share registration restrictions would immediately make them targets for raiders.

Not all companies consider that Nestlé's plan for a 3 per cent limit on shareholdings and voting rights for a single investor, is sufficient protection against a takeover.

Mr Domeniconi will probably have to keep his umbrella up for some time to come; criticism of Nestlé is unlikely to abate quickly.

However, it is difficult to see how the changes to the Swiss market implicit in Nestlé's decision can be halted. Foreign investors, above all the institutions, now expect to have access to Swiss registered shares.

HEAVY trading continued on Swiss stock exchanges yesterday as shares lost further ground in the wake of Nestlé's move to make registered shares available to foreigners. The Swiss index closed at 885.7 − a fall of 24.7 points or 2.7 per cent. Market report, Page 48

GrandMet refused Distillers appeal

By Lisa Wood in London

PERNOD RICARD nudged close to victory yesterday in its bid for Irish Distillers after the Takeover Panel refused Grand Metropolitan, its rival, leave to appeal against a ruling that left the French drinks group in apparent control of the whiskey producer.

The fate of Irish Distillers now seems to rest with Mr Albert Reynolds, the Irish Minister for Industry and Commerce, who is expected to announce this week whether either of the two bids can proceed.

The Panel had decided that although Pernod had breached the Takeover Code in winning the support of some Irish Distillers shareholders, this was not sufficiently serious to ask the French group to release those shareholders from their undertakings.

The Takeover Panel, meeting yesterday, rejected GrandMet's request that it should be granted leave to take the matter to the Panel's Appeals Committee.

S G Warburg, adviser to GrandMet, said last night: "We are considering our options."

The protracted battle between Pernod and GrandMet for control of the Bushmill's whiskey distiller has been fought so bitterly that industry observers last night said GrandMet might be considering a judicial review

At the same time, the European Commission has yet to give a final judgment on whether Pernod contravened EC competition rules in gaining irrevocable undertakings from shareholders that took its stake over 50 per cent before it made a bid. A preliminary ruling from the Commission said Pernod did not act in an anti-competitive manner.

Pernod, which holds 53 per cent of Irish Distillers, said yesterday that if it received a favourable decision from the Irish Trade Ministry it intended to declare its I£4.50-per-share offer wholly unconditional as soon as acceptances were received from those who had given irrevocable undertakings.

GrandMet, together with parties deemed to be acting in concert with it, holds 30.06 per cent of Irish Distillers' shares, and has waived all conditions on its I£5.25-per-share offer save that of acceptances exceeding 50 per cent.

Despite the acrimony between the parties during the bid, GrandMet and Pernod have working relationships in several parts of the world.

Co op chairman offers to resign

By Andrew Fisher in Frankfurt

MR BERND OTTO, chairman of the Co op retailing group of West Germany, yesterday offered to resign after strong criticism of the company's high indebtedness, complicated structure and confused ownership.

Mr Otto, 48, said he would leave it to the supervisory board to decide at its meeting this Thursday whether he should step down. Co op, part of whose stock was floated a year ago, owes German and foreign banks some DM5bn ($1.7bn).

The group, which is in profit, admitted yesterday that a not inconsiderable part of this indebtedness was short term. It denied that there had been any problem in paying the wages of its 49,000 employees, but said some suppliers had grown concerned about the criticism of the company's management and finances.

Under German law, the supervisory board has to decide this month whether Mr Otto's contract should be renewed when it runs out in a year's time. However, he said yesterday in a company statement that he did not want a renewal.

Instead, he added, he was ready to leave earlier at a time to be agreed with the supervisory board if it declined to give him a vote of confidence.

Mr Otto, whose annual salary is around DM1.5m, and his colleagues have been criticised, notably by Der Spiegel, the weekly magazine, for allegedly misleading shareholders about the Co op's real structure and problems.

Also on the agenda at Thursday's meeting will be the consolidation into Co op of Garvey Holding, which is responsible for the group's foreign activities. Garvey's turnover is around DM1.6bn, bringing total Co op turnover to an estimated DM14bn this year.

A confusing element in Co op's affairs is the fact that the Genossenschaftliche Zentralbank (GZB) in Basle, Switzerland, holds around 38 per cent of its shares in trust for Swiss-based Garvey. The latter's main shareholder is a Cayman Islands company called Burlington, the identity of whose owners is not being disclosed by Co op.

Lyonnaise in further UK move

By Fiona Thompson in London

LYONNAISE des Eaux, one of the three largest French water companies, yesterday announced agreed offers for two more UK water companies. It is offering £30.5m ($55.7m) for the Newcastle and Gateshead water company and £29.8m for Sunderland and South Shields. In July, Lyonnaise made recommended offers for the Essex and East Anglian water companies.

The move, just three days before the publication on Thursday of the British Government's Water Bill, which will privatise the 10 water authorities, comes on the same day that Southern Water Authority announced a co-operation deal with the Associated Insurance Pension Fund. This agreement could act to thwart potential bids for water companies in which Southern and AIPF hold stakes.

In future, Southern and AIPF will hold their share stakes jointly, which means that in the case of three water companies – Eastbourne, Mid-Sussex and West Kent – their aggregate stakes will exceed 30 per cent. Southern and AIPF said yesterday that the aim of their agreement was that statutory water companies should remain "public listed companies with a wide range of investors, including customers and employees."

The Lyonnaise takeovers are further evidence of the French encroachment into the UK water sector. Compagnie Générale des Eaux, France's largest water supplier, last month made agreed offers for the Lee Valley and North Surrey water companies and holds stakes in others. Bouygues, the French construction and services group, is another substantial investor in the water companies and has declared its aspiration to take controlling interests within the sector.

Mme Christine Morin-Postel, chairman of Lyonnaise des Eaux's wholly-owned subsidiary Lyonnaise UK, which has made the offers, said the boards of both water companies had unanimously recommended the bids.

Lyonnaise had the expertise to enable UK water companies to branch out, to diversify into "other public services like district heating, building management and refuse collection," she said.

Having paid £20m in July for East Anglia and just under £47m for Essex, Mme Morin-Postel said yesterday: "If we succeed in today's offer, our total investment in the UK in the last six months will have reached £130m."

For Newcastle and Gateshead, Lyonnaise is offering 730p per £1 nominal of the consolidated ordinary, ordinary, consolidated preference and perpetual preference stock. For the redeemable preference stock maturing in 1994/96 it is offering 170p.

For Sunderland and South Shields the offer is 650p per £1 nominal of the consolidated ordinary, ordinary and consolidated preference stock, 178p for the redeemable preference stock maturing in 1997/99 and 105p for redeemable preference stock maturing in 1989.

INTERNATIONAL COMPANIES AND FINANCE

Bayer promises increased dividend on record result

By David Marsh in Leverkusen

BAYER, THE West German chemicals concern, said last night it will pay a higher dividend for 1988 on a probable increase of more than 20 per cent in this year's pre-tax group profits to around DM3.7bn ($2.1bn).

Mr Hermann Strenger, the chairman, told a press conference that 1988 would go down as the best year in the company's history, with operating profits rising sharply and still higher capacity use cutting unit costs.

Overall group turnover this year is likely to rise 6 per cent to more than DM39bn.

Mr Strenger said the dividend payout would be more than the basic DM10 per share paid for 1987, when a DM1 bonus was also added. He declined to give more details, saying the board would make up its mind on the dividend in the new year.

In the first nine months of 1988, group pre-tax profits rose 22.8 per cent to DM2.95bn. Parent company pre-tax profits rose 22.4 per cent to DM1.61bn.

Group turnover in the first nine months rose 7 per cent to DM30.12bn. Domestic sales rose 6.4 per cent to DM6.61bn, while foreign turnover rose 7.2 per cent to DM23.52bn.

Profits this year would make up 9.5 per cent of turnover after 8.3 per cent last year, Mr Strenger said.

Research expenditure this year would rise just under 9 per cent to DM2.5bn. Fixed asset investment this year would rise 13 per cent to DM2.9bn, with the figure next year likely to increase to DM3.2bn.

This year's nine-month turnover increase was concentrated on the European Community, showing an 8 per cent increase in sales to DM15.51bn. North America sales rose 5 per cent, and Far East turnover 16 per cent, but sales to Communist countries dropped 5 per cent.

Pharmacia bids for US group

By Sara Webb in Stockholm

PHARMACIA, the Swedish pharmaceuticals and biotechnology group, is planning a $50m cash bid for outstanding shares in Electro-Nucleonics, a US biomedical company in which it already has a 20 per cent stake.

Pharmacia said the acquisition would help it to beef up its marketing efforts in the US. Electro sells diagnostic tests for infectious diseases to hospitals, clinics and blood banks, and for the past two years has had an agreement to sell Pharmacia's allergy and diagnostics lines in the US. The proposed offer is subject to approval by Electro's board of directors, though at $13.50 per share it is well below the level at which Electro shares have traded recently. Electro closed at $15.75 last Friday.

However, Pharmacia said it believed its offer "reflects fully the long-term value of Electro," which has annual sales of $70m and made a profit of $780,000 in its last financial year.

If Pharmacia's proposed offer is rejected, the Swedish group said it would sever its existing marketing agreement with Electro and look for alternative ways of strengthening its position in the US. It refused to say whether it would sell its 20 per cent shareholding in Electro as well.

The Swedish group bought shares in Electro in two stages back in 1986 and signed an agreement giving Electro exclusive US distribution rights to Pharmacia's allergy and diagnostics lines, which today account for about 15 per cent of Electro's total sales.

GE unit wins Israeli mandate

By Laura Blumenfeld in Jerusalem

KIDDER PEABODY, a Wall Street investment bank controlled by General Electric, has been selected by the Israeli Government to oversee the privatisation of the country's oil refineries. Ministerial approval for the appointment is expected today.

In a deliberate effort to spread contracts awarded in connection with Israel's privatisation programme, officials said yesterday that First Boston, the US-based securities underwriter and dealer, would act as the lead manager for the sale of Israel Chemicals, the country's largest state-owned industrial concern. It will be assisted by La Compagnie Financière Edmond de Rothschild, a French investment bank.

According to Mr Zeev Refuah, head of the Goverment Companies Authority, the remaining six leading US and European banks which vied for the advisory contracts are likely to be given similar roles over the privatisation of other public companies. The short list includes Elta, a subsidiary of Israel Aircraft Industries, worth an estimated $250m, Bezek, the state-run telecommunications authority, El Al, the national airline, and the Israel Electric Company.

Mr Refuah said: "We want to involve as many banks as possible. This will encourage foreign investment in Israel."

According to the official, 74 per cent of the refinery shares, worth about $300m, will be sold to private investors within a year. The remaining 26 per cent are held by Mr Shaul Eisenberg, a Jewish billionaire based in the Far East.

Separately, 50 per cent of Israel Chemicals' shares, valued at around $400m, are to be sold within the next six to 12 months.

Disney earnings advance sharply

By Roderick Oram in New York

WALT DISNEY has turned in higher profits for its fifth fiscal year running, reflecting strong earnings by all three segments of its business – theme parks and resorts, films and consumer products.

Net profits from continuing operations for the year ended September 30 grew in line with Wall Street expectations, by 33 per cent to $522m or $3.80 a share, from $392.3m or $2.85 a year earlier.

Profits from discontinued operations made the final 1987 net $444.7m or $3.23.

Revenues for the year were 20 per cent ahead at $3.44bn from $2.88bn.

Fourth-quarter net rose 23 per cent to $138.4m or 99 cents a share, from $110.6m or 80 cents a year earlier. Profits from discontinued operations made the final 1987 net $135.2m or 98 cents. Revenues grew by 34 per cent to $1.01bn from $758.6m.

Operating income of theme parks and resorts edged ahead by 3 per cent to $564.8m from $548.9m in the fiscal year, on revenues 11 per cent higher at $2.04bn against $1.83bn.

Fewer people attended Disney parks and resorts compared with record levels a year earlier, but they spent more, with the result that revenues increased.

The fall in attendance came despite the 15th anniversary celebrations of the opening of the Florida Disney World and the unveiling of two major new attractions at Disneyland in California.

Films turned in a 43 per cent increase in operating profits in the year to $186.3m from $130.6m on revenues ahead 31 per cent at $1.15bn from $875.6m. It enjoyed big box office successes with films such as Three Men and a Baby, Good Morning Vietnam and Who Framed Roger Rabbit, strong video sales at home and abroad and further growth of the Disney US cable television channel.

Consumer products generated operating profits of $133.8m on revenues of $247m, against $97.3m on $167m.

Battle for Nabisco intensifies

By Anatole Kaletsky in New York

RJR NABISCO shares jumped on Wall Street yesterday in response to the news that a third bidding group had greatly increased the stakes in the $20bn-plus buy-out auction for the tobacco and food company.

Arbitrageurs expressed delight about Sunday's decision by RJR to extend the bidding deadline, set to expire last Friday, but the news drew condemnation from the apparent winners in the original auction, the manegement-led group backed by Shearson Lehman Hutton and Salomon Brothers. The management group had offered a nominal $100 per RJR share, or about $22.7bn in total, easily topping the $94 a share bid from Kohlberg Kravis Roberts, the New York buy-out specialists.

But both groups' proposals were overshadowed by a potentially much higher bid, said to be worth between $105 and $118 a share, from a partnership Involving First Boston, the Pritzker family of Chicago, and Mr Philip Anschutz, an oil and property billionaire from Denver.

Wall Street remained sceptical about the true value of all three bids, however. RJR shares rose yesterday morning by $2¼ to $86¾, well below the asserted level even of KKR's $94 a share offer.

The new First Boston proposal was described by arbitrageurs as the most uncertain and preliminary of the potential bids, and was derided by rival advisers as "a Mickey Mouse offer." But it was sufficiently alluring for the RJR committee to give First Boston, along with all other bidders, a deadline extension until November 28, to put together a firm bid.

In outline, the First Boston offer was for a "two-step transaction," the first step being a leveraged buy-out to acquire RJR's tobacco business. The price would be $15.75bn, less the group's present debt. This would suggest a cash price of around $11bn for the tobacco business, in addition to which First Boston would offer RJR shareholders warrants to acquire up to 25 per cent of the equity in the tobacco business.

In the second step, RJR shareholders would receive "instalment notes" worth $13bn in total, to be repaid out of the proceeds of the sale of RJR's food businesses. If these were sold for more than $13bn, First Boston would share part of the excess with RJR's present shareholders.

Because of the uncertainty about the ultimate value of the food businesses, as well the difficulty of valuing the tobacco warrants and other securities offered as a part of the First Boston deal, the group put an unusually wide range of values – from $105 to $118 a share or $23.8bn to $26.8bn in total – on their offer. However, the key question left unclear was how the $13bn value of the instalment notes for the food businesses would be guaranteed.

In comparison to the First Boston offer, the other two bids for RJR were relatively straightforward. The $94 a share KKR offer was valued by the bidder at $75 in cash, plus $11 in preferred stock and $8 in convertible debentures. The $100 a share Shearson offer was said to be worth $90 in cash, $6 in preferred and $4 in common equity.

All three of the offers could now be revised, increased or withdrawn by the November 28 deadlines and any other bidders would be free to join the auction.

Bid fears speed Newmont Gold growth

Kenneth Gooding reports on the US gold producer's expansion

Newmont Gold has boosted capital spending to US$303m this year, more than three times the level for 1987, and Mr Peter Philip, the president, says: "We've been growing just as fast as we can grow."

The extraordinary expansion programme has transformed Newmont into the biggest US gold producer. This year its gold output will reach about 850,000 troy ounces, compared with 589,000 last year.

Newmont had hoped to achieve 980,000 ounces, but delays in deliveries of mining equipment and trucks held it back. However, Mr Philip says the company is back on track to take annual gold production to 1.6m ounces in 1991.

He insists: "It would have been foolish to attempt to expand any faster. And we could have saved on capital expenditure by slowing down."

Mr Philip admits the hostile bid last year for Newmont Mining, its parent, by a group led by the corporate raider Mr T. Boone Pickins encouraged Newmont Gold to speed up expansion plans which were already in place.

The company, 90 per cent-owned by Newmont Mining, has also been affected by the bid from Minorco, the South African-controlled investment group, for Consolidated Gold Fields of the UK. Minorco has said that, if it is cleared by the UK Monopolies and Mergers Commission to bid again for Gold Fields, it would sell the UK company's 49 per cent shareholding in Newmont Mining.

Mr Gordon Parker, chairman of both Newmont companies, has admitted this obviously would put them "in play."

Mr Philip seems almost embarrassed by the hostilities raised by the Minorco bid. He insists that it is the job of Newmont Gold executives to concentrate on mining as much low cost gold as possible and to leave Newmont Mining to deal with the implications of the UK bid.

He diverts questions about Minorco to Mr Bob Zerga, Newmont Gold's executive vice-president and general manager, who says that well before the UK bid his company received unwelcome attention because of Gold Field's substantial investments in South Africa.

There are members of the Nevada state legislature who do not want any company with South African connections operating in Nevada, he points out.

Newmont Gold is concentrating most of its efforts on developing operations on the Carlin Trend in Nevada, the richest gold deposit outside of South Africa.

But the new Nevada gold rush has created its own difficulties. For example, in in about one year Newmont has expanded its workforce from 700 to 1,900 but, according to Mr Philip, "there isn't room in this town for more people."

Newmont has spent $27m in providing accommodation from trailers to apartment blocks – money it hopes to get back because it wants to leave the real estate business as soon as possible.

Newmont has reserves of 15m ounces of gold, more than any other North American company, but is still exploring in order to establish the limits of its Carlin deposits. It will spend $15m on exploration this year in the 2,300 square mile Carlin property.

The company will concentrate on the area near its Deep Post gold deposit where the richest hole in the history of gold mining was drilled last year. Deep Post is next to the Goldstrike mine owned by American Barrick Resources, the Toronto group.

Mr Philip says negotiations with Barrick, which is pressing Newmont to develop jointly a giant pit to mine the deep gold, are at "a delicate stage."

He reveals, however, that Newmont's five-year plan, starting in 1989, does not include any provision for a giant pit or for alternative underground mining in the Deep Post area.

Mr Philip suggests that, while Barrick must concentrate only on Goldstrike, Newmont has other prospects in the area which are richer and easier to deal with and which it will attend to first.

He says his company believes it is "pretty safe" to set each new project the target of a 15 per cent return on investment assuming a gold price of only $325 an ounce.

In the first nine months of this year its cash cost of recovering gold, including royalty payments, was $234 an ounce, while it received an average of $445 an ounce.

INTERNATIONAL COMPANIES AND FINANCE

Australian resources group ousts directors

By Chris Sherwell in Sydney

A ROW over the offshore investments of Whim Creek, a quoted Australian resources company, yesterday saw the chairman, chief executive and a third director – all Irish residents – unexpectedly thrown off the board by its four Australian non-executive members.

The unusual move was the result of growing concern over a complex series of transactions involving two associated Canadian mining companies, Northgate and Westfield Minerals, and a oumber of intermediary UK non-resident companies operating ont of Cyprus, a tax haven.

Yesterday's action also saw the removal of the three men – Mr Patrick Hughes, Mr Peter McAleer and Mr Andrea Meldrum – from their positions on the board of Austwhim Resources, which is 95 per cent owned by Whim Creek.

Among the directors taking their place on the two boards are Mr Nicholas Whitlam and Mr Malcolm Turnbull, whose merchant bank, Whitlam Turnbull, was racently approachad by the non-executive directors for advice.

Yesterday's outcome was announced at a press conference by Mr Turnbull.

According to a statement from the newly-constituted board, a majority of directors had grown concerned at the substantial investments held by Whim Creek in various offshore companies. These included Westfield Minerals, in which it had an effective 48 per cent interest.

Because of the way they had been structured through Cyprus, these investments were apparently placed beyond the practical control of the Whim Creek board. Yet they tied up more than A$40m (US$34m), or about one-third, of Whim Creek's assets.

Japanese building boom helps boost contractors

By Gordon Cramb in Tokyo

RESULTS FROM leading Japanese civil engineering and construction contractors continue to reflect the strong pace of domestic building activity, but indications are that growth may now be slowing.

Of those companies with a September year-end, Hazama-Gumi yesterday boosted its annual dividand to Y7 per share from Y6. This came as it reported pre-tax profits up 16 per cent to Y12.23bn ($998m), on sales ahead by 23.9 per cent at Y455.3bn.

It forecast that growth for the current year would moderate to 5.4 per cent in sales and 6.6 per cent in pre-tax profits.

Kumagai Gumi, which has been activaly expanding abroad, achieved its first annual rise in sales and profits for three years. Pre-tax profits were 19.5 per cent higher at Y28.82bn for the September year, as revenues rose 13.8 per cent to Y859.3bn.

Its order inflow for the period was up 11.8 per cent at Y954.3bn, but tha company said those for foreign projects were down by 40 per cent.

For the six months to March it expects pre-tax profits of Y13bn and sales of Y450bn.

Toda Construction raised pre-tax profits 5.7 per cent to Y13.24bn on sales ahead 9 per cent at Y444.5bn. Labour and interest costs have been rising, but an increase in order completions is expected for the current year.

Among those reporting for a September first-half, Shimizu boosted profits 60.5 per cent to Y16.87bn on revenues of Y527bn, np by just under Y100bn. It has been active in urban redevelopment projects, as has Fujita, where interim profits of Y11.61bn were achieved on sales of Y244.1bn. The company is changing its year-end and no comparative figures were available.

At Mitsui Construction, profits were up by a quarter to Y2.46bn as revenues rose 11.3 per cent to Y154.2bn.

At Penta-Ocean, which is involved in marine as well as onshore projects, earnings were a bare 3.2 per cent higher before tax at Y3.24bn, and sales adged up 1.9 per cent to Y117.7bn.

Shui On in record property sale

By Michael Marray in Hong Kong

THE SHUI ON Group, the Hong Kong property, hotels and leisure group controlled by the Lo family, has sold the Shui On centre office building for HK$2.5bn (US$320m), setting a new record for property prices in the fast-developing Wan Chai district of Hong Kong island.

The sale is seen as extremely bullish for the local property sector, which has experienced runaway increases in valnes of commercial buildings over the past 12 months. The identity of the buyer behind Bonstag, the shell company named in the transaction, is not known.

Shui On will remain the core tenant of the building and has agreed to pay HK$262m to Bonstag to make good the difference between current market rents and those under the existing leases. Since most leases are negotiated on a two-year basis, the new owners will not be able to increase rentals until late next year.

The Shui On centre is the major asset of the Shui On Group, which is involved in property development, owns hotels and operates a chain of photo developing and video rental shops in the territory. The group made its first overseas investment in June, paying HK$636m for the Wharton Renaissance and Ramada airport hotels in Toronto.

Shui On is heavily geared and the sale will take it into a position where it can retire all its borrowings and be left with surplus cash.

Earlier this year, the group hived off its construction division into a separately-listed company, Shui On Contractors.

The Shui On Group is controlled by Mr Vincent Lo, the brother of Mr Lo Yuk-Sui, chairman of Cathay City, which recently launched a hostile bid for cootrol of Hongkong and Shanghai Hotels.

Shui On shares were suspended yesterday.

Okuma back in the black

By Gordon Cramb in Tokyo

OKUMA Machinery Works, a leading Japanese machine tool maker, boosted sales by a third and returned to operating profits in the first half to September — a period that marked the departure of its president, who gave way to a trade union demand that he resign.

Mr Takeo Okuma stepped down at the annual meeting in June after Tokai Bank, its main banker, apparently lent support to union objections alleging nepotism and poor deployment of Okuma's financial resources. Mr Akira Matsutani, a Tokai executive, took over as president.

Based on what Okuma called a robust increase in machine tool orders within Japan and overseas, sales reached Y41bn ($335m), compared with Y30.2bn last time, when the company incurred an operating deficit of Y619m.

Okuma traded Y3.06bn in the black in the latest period.

Nippon Light Metal doubles half-year profits

By Gordon Cramb in Tokyo

NIPPON LIGHT Metal, which is half-owned by Alcan of Canada and ranks as Japan's biggest aluminium producer, more than doubled pre-tax profits in the six months to September as world shortages of the metal pushed up prices.

Sales grew 11.4 per cent to Y132.1bn ($1.08bn), profits reached Y9.30bn against Y3.95bn and net earnings were up even more sharply at Y7.64bn, compared with Y1.27bn.

For the full year to March it is forecasting sales up 4.8 per cent, to Y260bn, but pre-tax profits of Y13.50bn, down from Y13.97bn, and net earnings flat at Y10bn.

● Toyo Sash, a leading maker of aluminium materials for housing, took its pre-tax profits 93.5 per cent higher in the same period.

CORRECTION

Bank Leumi

AN ARTICLE on November 9 headlined "Bank Leumi appoints chairman," incorrectly stated that Mr Meir Heth, the bank's outgoing chairman, had been among those blamed for a "golden handshake" awarded to Mr Ernest Japhet, one of his predecessors. We wish to make clear that Mr Heth was not personally involved in the decision.

Toppan Printing ahead

By Ian Rodger in Tokyo

PRE-TAX profits at Toppan Printing, Japan's second-largest printing company, rose substantially to Y24.2bn ($198m) in the six months to September 30.

As the company has just changed its year-end from May to April, there is no exact comparison, but the pre-tax figure was 19.1 per cent up on profits in the six months to November, 1987.

On the same basis, sales were up 3.7 per ceot to Y345.2bn.

Malaysian bank raises stake in subsidiary

By Wong Sulong in Kuala Lumpur

MALAYAN Banking, Malaysia's largest bank, has announced it is raising its stake in loss-making subsidiary Kwong Yik Bank from 52 per cent to 93 per cent.

It will issue 8.24m new shares to Peramining Sdn Berhad, a Malay investmeot group, for the extra 16.48m shares of Kwong Yik Bank, valuing the deal at 50.2m ringgit ($18.8m).

For the year ended Juna, Kwong Yik Bank incurred a pre-tax loss of 81.8m ringgit, due to increased provisions for bad debts, compared with a pre-tax loss of 4.6m ringgit the previous year.

Its huge losses dragged Malayan Banking's group pre-tax profits down by 40 per cent to 96m ringgit. Malayan Banking itself reported a 4 per cent increase in its pre-tax profits

MAS earnings 8.6% up at 85.3m ringgit

By Wong Sulong in Kuala Lumpur

MALAYSIAN Airlines (MAS) has reported an 8.6 per cent increase in pre-tax profits to 85.3m ringgit ($32m) for its first half to September, on turnover that rose by 15.7 per ceot to 918m ringgit.

The earnings, described by directors as "satisfactory," comprised 83.6m ringgit in operating profit and 1.7m ringgit from income of associated companies.

Profit after tax was 80.8m ringgit, an increase of 7 per cent, or 23 cents per share.

Directors expect bettar results for the second half of the year, which is the more buoyant period.

Last Friday, Malaysian and Japanese transport officials signed an agreement giving MAS an extra Boeing 747 flight – its ninth weekly service – to Tokyo, plus two new weekly flights from Kuala Lumpur to another Japanese city. However, the request for MAS to increase its three weekly flights from Tokyo to Los Angeles was turned down.

A total of 150,000 Japanese visited Malaysia last year and the numbers are growing at some 20 per cent a year.

INTERNATIONAL COMPANIES AND FINANCE

Go-ahead for Comit and Paribas Milan unit

By George Graham
in Paris

BANCA COMMERCIALE Italiana (Comit), Italy's second biggest bank, and Paribas, the French privatised investment banking group, have at last received the green light from the Italian banking authorities for the creation of a Milan-based merchant bank.

The new bank, only the second to be authorised by the Bank of Italy since 1936, will be called Banca Internazionale Lombarda and have capital of L200bn ($155m). Half of the capital has been paid up.

Paribas and Comit will each control 40 per cent, and Assicurazioni Generali, the Italian insurer, will hold 20 per cent.

The two banking groups announced the project nearly two years ago, shortly after a government committee approved guidelines extending the scope of banking activities and allowing the creation of homegrown Italian merchant banks. Winning approval from the Bank of Italy, however, has proved slow and difficult.

Banca Internazionale Lombarda will be chaired by Mr Antonio Monti, former chairman of Monti. Mr Michel François-Poncet and Mr Enrico Braggiotti, chairmen respectively of Paribas and Comit, will both become vice-chairmen.

The new bank plans to be active on the Italian financial markets as well as in the fields of corporate finance advice and mergers and acquisitions, and its capital may be opened to other major shareholders.

France's Cinderella has a ball

Paul Betts looks at the double-headed foray by Pechiney

Pechiney, the French nationalised aluminium and metal fabricating group, was always regarded as the Cinderella of the French state industrial sector.

But with two spectacular coups yesterday, Mr Jean Gandois, Pechiney's chairman, has propelled the group into the international big time. On the one hand, he has consolidated its position as the world's third largest aluminium producer, after Alcoa and Alcan, by announcing, with the help of Electricité de France (EdF), plans to build a FFr4.5bn ($759m), 200,000 tonne-a year aluminium smelter in the depressed northern region of Dunkirk.

On the other, Mr Gandois is about to transform Pechiney into the leading packaging company in the world by acquiring for $1bn American National Can (ANC).

The two transactions, which have received the blessing of the French Socialist Government, also eloquently reflect the marked change in Socialist government attitudes towards the state sector, and provide a concrete example of a new approach to enable nationalised industrial groups to tap the financial markets.

For, although the new Socialist Government has said it would not resume the privatisations programme of the previous Gaullist administration nor embark on a new renationalisation policy, it has cleared the way for Pechiney to float about 25 per cent of a new international subsidiary, Pechiney International, to help finance the ANC acquisition.

The two transactions also represent a climax in Mr Gandois's strategy to restructure and recentre Pechiney around a series of specific core businesses and through major acquisitions and internal growth enable the group to achieve the critical size necessary to compete in the world market.

"If we had remained at our current size, there was the real risk that we would have sunk into mediocrity," he said yesterday. "We now face other risks but we have the size to compete."

Mr Gandois's restructuring and recentring policy during the last two years has already paid dividends. After losing FFr451m in 1986, the group reported profits of FFr729m last year and expects to double its earnings this year to around FFr1.5bn. Group sales will total FFr50bn this year, but after the ANC acquisition Pechiney is expected to have annual sales of FFr76bn.

Yesterday's deals fit in with Mr Gandois's broad industrial strategy. First, he always intended to consolidate his group's basic aluminium business, which accounts for about FFr21bn a year of group sales.

"To remain competitive we simply had to close our older plants and build new facilities," Mr Gandois explained. "At the same time, if I can invest in a competitive new smelter in France rather than overseas, I prefer to chose France."

After securing a landmark agreement with EdF, the state utility, to participate directly in the investment of a new smelter in the Dunkirk area, Mr Gandois was ready to go ahead with the project, in which Pechiney will also be backed by financial partners and possibly another industrial investor.

After an era of offshore aluminium investments in search of cheap electricity prices, the Dunkirk smelter, due to come

Mr Jean Gandois: "We have the size to compete"

on stream in 1991, marks the return of Pechiney to France. By the time the smelter opens, Pechiney will have a worldwide aluminium capacity of about 1m tonnes a year, of which 400,000 tonnes will be produced in France.

Mr Gandois has also started searching for a way of expanding the group's critical size in a less cyclical sector. He found the answer in Cebal, the group's packaging subsidiary, which before the ANC acquisition had sales of only FFr3.5bn a year. "I asked myself, why not expand in packaging since the business, which uses aluminium, would help correct the cyclical character of Pechiney's aluminium operations and move the group closer to the consumer goods industry," he said.

After failing to negotiate a deal with the French Carnaud group, Mr Gandois looked elsewhere. He had originally proposed a merger between Cebal and Carnaud, but the two parties each wanted to retain the industrial leadership of the proposed merger. As a result, the talks broke down and Carnaud subsequently recently merged with the Metalbox packaging concern of the UK. In turn, Pechiney opened negotiations last summer with the main shareholders of Triangle, the US parent of ANC.

The deal with Triangle's main shareholders, Mr Nelson Peltz and Mr Peter May, was clinched on Sunday night, and will see Pechiney make a full bid for Triangle and then sell back to Mr Peltz and Mr May their group's non-packaging interests, including juke boxes, real estate and other diversified assets.

To help Pechiney retain a respectable debt-equity ratio, the French Government, the main shareholder, has agreed to allow it to float on the bourse about 25 per cent of Pechiney International, the new subsidiary which will group together Pechiney's stakes in its Canadian and Australian aluminium smelter partnerships, its US Howmet jet engine components subsidiary as well as all its packaging operations. The flotation is expected to raise about FFr4bn.

At the same time, the Government also appears willing to make a personal contribution to Pechiney's bold expansion moves. Indeed, the Finance Ministry is understood to have proposed to advance Pechiney FFR1bn in the form of a new capital endowment.

It is the least it could do. At a time when the controversial Société Générale affair has raised major questions over government intervention in business in France, the two Pechiney deals may help to restore the balance by underlining the international industrial business commitment of the Socialist administration.

Kleinwort sells stake in Pebereau vehicle

COMPAGNIE DU MIDI, the French diversified insurance group, has bought from Kleinwort Benson the 12.78 per cent stake held by the British merchant bank in SIGP, the main vehicle used by Mr Georges Pebereau to accumulate 9 per cent of Société Générale, France's biggest privatised commercial bank, writes Paul Betts in Paris.

Kleinwort had widely been expected to shed its stake, worth FFr400m ($67.5m), but the sale appears to have taken place earlier than expected. This is understood to reflect second thoughts on the part of some of the investors on whose behalf Kleinwort was acting after Mr Pebereau's raid met tough opposition from SocGen's management.

For its part, Midi has seized on the Kleinwort stake as a way of taking a foothold in the SocGen affair. However, it is unclear at this stage whether Midi is siding with Mr Pebereau or is hoping to manoeuvre between the two camps.

Indeed, Midi said it had told Mr Marc Vienot, the SocGen chairman, that it was prepared to increase the 2-3 per cent direct stake of its Axa-Midi insurance group in the bank if Mr Vienot should welcome it.

But while SocGen adopted a "wait and see" attitude to the latest developments, the Midi move appears to have deeply irritated Mr Claude Bebear, chairman of Axa, which recently merged with Midi's Assurances Groupe de Paris (AGP) insurance subsidiary.

Talks between Mr Pebereau's camp and SocGen's management are to resume this week to try to resolve the deadlock.

Pacific Dunlop acquires British condom brand

By Ray Bashford in London

PACIFIC DUNLOP, the diversified Australian manufacturing gronp, has acquired the Mates brand of condoms from the Healthcare Foundation, a charity established by Mr Richard Branson, chief of the Virgin group, to promote safer sex education and Aids prevention programmes.

Ansell International, Pacific Dunlop's UK principal subsidiary, has supplied condoms to the Healthcare Foundation under a marketing agreement since the charity's foundation in November last year.

Following the purchase, Pacific Dunlop will have to spend a minimum of £5m ($9m) over five years to advertise the hrand, which the foundation views as furthering the fight against the spread of Aids.

The arrangement also calls for Pacific Dunlop to make annual royalty payments. However, these payments are pegged to the size of the advertising budget and fall sharply after the expenditure of £5m over five years.

The company yesterday made an advance payment of £1m to the charity.

The subsidy on condoms being supplied to the British National Heath Service which has applied since the formation of the charity will also continue.

The Mates brand name has been purchased in perpetuity and the terms of the agreement will be re-negotiated each five years.

Mates are sold in the UK through a leading chemist chain, retail outlets and about 15,000 vending machines in pubs and clubs.

Pacific Dunlop claims to have 20-25 per cent of the UK condom market with the rest held by London International Group which markets under the Durex label.

'Irregularities' at Greenbank

By Philip Coggan in London

WALKER Greenbank, the UK industrial mini-conglomerate, will see pre-tax profits for the year to January 31, 1989 fall "substantially below expectations" as a result of alleged accounting irregularities at its Alkar International shopfitting subsidiary. The group has removed Mr Alan Carr, one of its directors, from all executive and operational duties.

The news caused Walker Greenbank's shares to drop substantially from their opening price of 127p yesterday, tonching 60p at one point before closing at 80p. At that price, Walker Greenbank is capitalised at £72m ($130m).

Walker Greenbank acquired Alkar for an initial £3.4m in January 1987 under an "earn-out deal" through which the vendors were entitled to further payments – with a total ceiling of £11m – dependent on future profits.

One payout of 1.16m shares had already been made to Mr Alan Carr and his father, Mr W H Carr. Walker Greenbank said it had been granted an injunction preventing either man from disposing of his shares. Mr W H Carr had no comment when contacted yesterday.

Sir Anthony Jolliffe, Walker Greenbank's chairman and a former Lord Mayor of London, said the group had received a signed statement from Mr Graham Forrest, Alkar's chief accountant, that sales and debtors had been artificially boosted, which increased reported profits. Sir Anthony said that Mr Colin Bennett, Alkar's managing director, had also signed a statement confirming part of Mr Forrest's account.

The alleged discrepancies had not been spotted by the group's auditors, Arthur Young, Sir Anthony said. He has appointed Touche Ross to investigate Alkar's accounts, but the full picture will not become clear for two or three weeks. Mr Alan Carr is understood to have resigned verbally on Friday, although no written resignation has been received.

The news must cast doubt on Walker Greenbank's future as an independent entity. One analyst said yesterday: "Once the rating has dropped on an acquisitive conglomerate, the game is over and it may itself become a takeover target."

Mr Tim Harris, an analyst at Phillips & Drew, said that although it was difficult to tell at this stage, following write-offs at Alkar, Walker Greenbank's pre-tax profits would be £7m-£8m this year, against the £15m forecast.

Strong response to Mediobanca offer

By Alan Friedman in Milan

THE L520bn ($500m) offer of shares in Mediobanca, the Milan merchant bank, closed yesterday on its first day of subscription.

The offer of 27.1m shares, amounting to 13.3 per cent of the bank, was oversnbscribed, but Mediobanca last night said it could not provide any other details.

The issue, which saw 40 per cent of the shares reserved for clients of three Italian state banks, was priced at L19,150 per share.

Part of the offer was handled by underwriters such as S G Warburg Securities in the UK, Daiwa in Japan, Deutsche Bank in West Germany and Goldman Sachs, but Mediobanca said it could not provide details of what proportion of the overall allotment had gone to investors outside Italy.

Saga buys oil stake and seeks stock split

By Karen Fossli in Oslo

SAGA PETROLEUM, Norway's largest independent oil company, is seeking permission for a four-for-one stock split and is to buy 30 per cent of NOCO (Norwegian Oil Consortium), an independent oil company which holds stakes in four producing oil and gas fields.

Saga said it will also seek permission from Norwegian authorities to increase its share capital by up to 50 per cent by issuing 51m non-voting B-shares worth NKr766m ($116m) within five years. Saga's equity capital currently stands at NKr1.6bn.

The stock split will make it easier for Saga's shares to be traded abroad and give the company more scope to meet major investments should oil prices drop further.

The sale of B-shares will be undertaken hy splitting current shares of par value NKr60 into four shares, each with a par value of NKr15. Following the split, three of the four new shares will be converted to A-shares with voting rights while the fourth share will be converted to a non-voting B-share.

To gain 30 per cent of NOCO, Saga has agreed to buy the 20 per cent stake owned by Aker, the Norwegian industrial giant, and the 5 per cent stakes owned each hy Norwegian shipping companies Wilhelm Wilhelmsen and Kosmos. The price was not disclosed hnt Aker said it would take a NKr70m gain on the deal.

Last week Saga which recorded a sharp drop in nine-month pre-tax profits to NKr163m, against NKr340m last year, rejected an offer to merge with Elf Aquitaine Norge, the Norwegian subsidiary of French oil group.

● Orkla Borregaard, the Norwegian industrial and investment group, said yesterday that Norwegian finance authorities have approved its previously announced plans to issue non-voting B-shares to foreign investors.

The company plans to issue new shares worth up to 50 per cent of its total share capital which is currantly put at NKr618m.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, November 21, 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	54.3984	31.5079	44.6067
Albania	(Lek)	10.1335	5.5541	3.2169	4.5543
Algeria	(Dinar)	11.6238	6.3709	3.6900	5.2241
Andorra	(Fr Fr)	10.7725	5.9043	3.4198	4.8415
	(Sp Peseta)	207.57	113.7681	65.8952	93.2898
Angola	(Kwanza)	55.1025	30.2014	17.4928	24.7651
Antigua	(E Carr $)	4.9046	2.6881	1.5570	2.2043
Argentina	(Austral)	23.0815	12.6508	7.3274	10.3737
Aruba	(Florin)	3.2515	1.7821	1.0322	1.4613
Australia	(Aus $)	2.1260	1.1652	0.6749	0.9556
Austria	(Schilling)	22.170	12.1512	7.0380	9.9640
Azores	(Port Escudo)	263.11	144.2093	83.5269	118.2516
Bahamas	(Bahama $)	1.8245	1	0.5792	0.8200
Bahrain	(Dinar)	0.6840	0.3748	0.2171	0.3074
Balearic Is	(Sp Peseta)	207.57	113.7681	65.8952	93.2898
Bangladesh	(Taka)	56.50	30.9673	17.9365	25.3932
Barbados	(Barb $)	3.6535	2.0024	1.1598	1.6420
Belgium	(Belg Fr)	66.15c	36.2565	21	29.7303
		66.70g	36.5579	21.1746	29.9775
Belize	(B $)	3.633	1.9912	1.1533	1.6328
Benin	(CFA Fr)	538.63	295.2206	170.9936	242.0808
Bermuda	(Bermudian $)	1.8245	1	0.5792	0.8200
Bhutan	(Ngultrum)	27.05	14.8259	8.5873	12.1573
Bolivia	(Boliviano)	4.6684	2.5587	1.4820	2.0981
Botswana	(Pula)	3.4875	1.9114	1.1071	1.5674
Brazil	(Cruzado)	983.60	539.1066	312.2539	442.0674
British Virgin Is	(US $)	1.8245	1	0.5792	0.8200
Brunei	(Brunei $)	3.5393	1.9398	1.1235	1.5906
Bulgaria	(Lev)	1.4669	0.8040	0.4656	0.6592
Burkina Faso	(CFA Fr)	538.63	295.2206	170.9936	242.0808
Burma	(Kyat)	11.2754	6.1799	3.5794	5.0675
Burundi	(Burundi Fr)	266.1025	145.8495	84.4769	119.5966
Cameroon	(CFA Fr)	538.63	295.2206	170.9936	242.0808
Canada	(Canadian $)	2.2100	1.2112	0.7015	0.9932
Canary Is	(Sp Peseta)	207.57	113.7681	65.8952	93.2898
Cp. Verde Is	(CV Escudo)	131.9869	72.3414	41.9006	59.3199
Cayman Is	(CI $)	1.5077	0.8263	0.4786	0.6776
Cent. Afr. Rep	(CFA Fr)	538.63	295.2206	170.9936	242.0808
Chad	(CFA Fr)	538.63	295.2206	170.9936	242.0808
Chile	(Chilean Peso)	452.22	247.8596	143.5619	203.2449
China	(Renminbi Yuan)	6.8026	3.7284	2.1595	3.0573
Colombia	(Col Peso)	596.85	327.1307	189.4761	268.2471
Comoro Is	(CFA Fr)	538.63	295.2206	170.9936	242.0808
Congo (Brazz)	(CFA Fr)	538.63	295.2206	170.9936	242.0808
Costa Rica	(Colon)	143.2310	78.5042	45.4701	64.3734
Cuba	(Cuban Peso)	1.3834	0.7582	0.4391	0.6217
Cyprus	(Cyprus £)	0.8310	0.4554	0.2638	0.3734
Czechoslovakia	(Koruna)	9.50c	5.2069	3.0158	4.2696
		16.54l	9.0654	5.2507	7.4337
		15.93t	8.7311	5.0571	7.1595
Denmark	(Danish Kroner)	12.1775	6.6744	3.8658	5.4730
Djibouti Rep	(Djib Fr)	316.00	173.1981	100.3174	142.0224
Dominica	(E Carrib $)	4.9046	2.6881	1.5570	2.2043
Dominican Rep	(D Peso)	11.5348	6.3221	3.6618	5.1841
Ecuador	(Sucre)	721.19o	395.2808	228.9492	324.1303
		876.22a	480.2521	278.1650	393.8067
Egypt	(Egyptian £)	4.206	2.3052	1.3352	1.8903
El Salvador	(Colon)	9.08	4.9767	2.8825	4.0808
Equat'l Guinea	(CFA Fr)	538.63	295.2206	170.9936	242.0808
Ethiopia	(Ethiopian Birr)	3.7330	2.0460	1.1850	1.6777
Falkland Is	(Falk £)	1.00	0.5480	0.3174	0.4494
Faroe Is	(Danish Kroner)	12.1775	6.6744	3.8658	5.4730
Fiji Is	(Fiji $)	2.5192	1.3807	0.7997	1.1322
Finland	(Markka)	7.4810	4.1003	2.3749	3.3622
France	(Fr)	10.7725	5.9043	3.4198	4.8415
Fr Cty/Africa	(CFA Fr)	538.63	295.2206	170.9936	242.0808
Fr Guiana	(Local Fr)	10.7725	5.9043	3.4198	4.8415
Fr Pacific Is	(CFP Fr)	190.00	104.1381	60.3174	85.3932
Gabon	(CFA Fr)	538.63	295.2206	170.9936	242.0808
Gambia	(Dalasi)	12.2903	6.7362	3.9016	5.5237
Germany East	(Ostmark)	3.1500	1.7265	1	1.4157
Germany West	(D Mark)	3.1500	1.7265	1	1.4157
Ghana	(Cedi)	419.03	229.6684	133.0253	188.3280
Gibraltar	(Gib £)	1.00	0.5480	0.3174	0.4494
Greece	(Drachma)	261.75	143.4639	83.0952	117.6404
Greenland	(Danish Krone)	12.1775	6.6744	3.8658	5.4730
Grenada	(E Carr $)	4.9046	2.6881	1.5570	2.2043
Guadaloupe	(Local Fr)	10.7725	5.9043	3.4198	4.8415
Guam	(US $)	1.8245	1	0.5792	0.8200
Guatemala	(Quetzal)	1.8245	1	0.5792	0.8200
		4.9758	2.7272	1.5796	2.2363
Guinea	(Fr)	544.95	298.6845	173	244.9213
Guinea-Bissau	(Peso)	1180.725	647.1499	374.8333	530.6629
Guyana	(Guyanese $)	16.295	8.9312	5.1730	7.3235
Haiti	(Gourde)	9.0825	4.9780	2.8833	4.0820
Honduras	(Lempira)	3.6320	1.9906	1.1530	1.6323
Hong Kong	(HK $)	14.1818	7.7729	4.5021	6.3738
Hungary	(Forint)	93.9037	51.4681	29.8106	42.2039
Iceland	(Icelandic Krona)	82.76	45.3603	26.2730	37.1955
India	(Indian Rupee)	27.05	14.8259	8.5873	12.1573
Indonesia	(Rupiah)	3122.82	1711.6031	991.3714	1403.5146
Iran	(Rial)	122.75	67.2787	38.9682	55.1685
Iraq	(Iraqi Dinar)	0.5686	0.3116	0.1805	0.2555
Irish Rep	(Punt)	1.1800	0.6467	0.3746	0.5303
Israel	(Shekel)	2.8850	1.5812	0.9158	1.2966
Italy	(Lira)	2342.75	1284.0504	743.7301	1052.9213
Ivory Coast	(CFA Fr)	538.63	295.2206	170.9936	242.0808
Jamaica	(Jamaican $)	9.775	5.3576	3.1031	4.3932
Japan	(Yen)	222.50	121.9512	70.6349	100
Jordan	(Jordanian Dinar)	0.840	0.4604	0.2666	0.3775
Kampuchea	(Riel)	182.45	100	57.9206	82
Kenya	(Kenya Shilling)	33.1500	18.1693	10.5238	14.8988
Kiribati	(Australian $)	2.1260	1.1652	0.6749	0.9555
Korea North	(Won)	1.7620	0.9657	0.5593	0.7919
Korea South	(Won)	1253.30	686.9279	397.8730	563.2808
Kuwait	(Kuwaiti Dinar)	0.54895	0.3008	0.1742	0.2466
Laos	(New Kip)	781.095	428.1145	247.9666	351.0539
Lebanon	(Lebanese £)	907.60	497.4513	288.1269	407.9101
Lesotho	(Maloti)	4.3348	2.3758	1.3761	1.9482
Liberia	(Liberian $)	1.8245	1	0.5792	0.8200
Libya	(Libyan Dinar)	0.5133	0.2813	0.1629	0.2306
Liechenstein	(Swiss Fr)	2.6500	1.4524	0.8412	1.1910
Luxembourg	(Lux Fr)	66.15	36.2565	21	29.7303
Macao	(Pataca)	14.6068	8.0059	4.6370	6.5648
Madeira	(Port Escudo)	263.11	144.2093	83.5269	118.2516
Malagasy Rep	(MG Fr)	2096.25	1148.9499	665.4761	942.1348
Malawi	(Kwacha)	4.5900	2.5157	1.4571	2.0629
Malaysia	(Ringgit)	4.8520	2.6593	1.5403	2.1806
Maldive Is	(Rufiya)	15.9852	8.7614	5.0746	7.1843
Mali Rep	(CFA Fr)	538.63	295.2206	170.9936	242.0808
Malta	(Maltese £)	0.5930	0.3250	0.1882	0.2665
Martinique	(Local Fr)	10.7725	5.9043	3.4198	4.8415
Mauritania	(Ouguiya)	143.4308	78.6137	45.5335	64.4632
Mauritius	(Maur Rupee)	24.20	13.2639	7.6825	10.8764
Mexico	(Mexican Peso)	4153.20a	2276.3496	1318.4761	1866.6067
		4099.84d	2247.1033	1301.5365	1842.6247
Miquelon	(Local Fr)	10.7725	5.9043	3.4198	4.8415
Monaco	(French Fr)	10.7725	5.9043	3.4198	4.8415
Mongolia	(Tugrik)	6.0953	3.3408	1.9350	2.7394
Montserrat	(E Carr $)	4.9046	2.6881	1.5570	2.2043
Morocco	(Dirham)	14.655	8.0323	4.6523	6.5865
Mozambique	(Metical)	1137.4923	623.4542	361.1086	511.2324
Namibia	(S A Rand)	4.3348	2.3758	1.3761	1.9482
Nauru Is	(Australian $)	2.1260	1.1652	0.6749	0.9555
Nepal	(Nepalese Rupee)	43.596	23.8947	13.8400	19.5937
Netherlands	(Guilder)	3.5500	1.9457	1.1269	1.5955
N'nd Antilles	(A/Guilder)	3.2515	1.7821	1.0322	1.4613
New Zealand	(NZ $)	2.8200	1.5456	0.8952	1.2674
Nicaragua	(Cordoba)	581.12	318.5091	184.4825	261.1775
Niger Rep	(CFA Fr)	538.63	295.2206	170.9936	242.0808
Nigeria	(Naira)	8.6356	4.7331	2.7414	3.8811
Norway	(Nor. Krone)	11.9500	6.5497	3.7936	5.3707
Oman	(Rial Omani)	0.6985	0.3828	0.2217	0.3139
Pakistan	(Pak. Rupee)	33.40	18.3063	10.6031	15.0112
Panama	(Balboa)	1.8245	1	0.5792	0.8200
Papua New Guinea	(Kina)	1.4986	0.8213	0.4757	0.6735
Paraguay	(Guarani)	581.12o	318.5091	184.4825	261.1775
		1843.24a	1010.2713	585.1555	828.4224
Peru	(Inti)	59.43o	32.8473	19.0253	26.9348
		947.81a	519.4902	300.8920	425.9820
Philippines	(Peso)	37.10	20.3343	11.7777	16.6741
Pitcairn Is	(£ Sterling)	1.00	0.5480	0.3174	0.4494
	(NZ $)	2.8200	1.5456	0.8952	1.2674
Poland	(Zloty)	905.31	496.1962	287.4000	406.8808
Portugal	(Escudo)	263.11	144.2093	83.5269	118.2516
Puerto Rico	(US $)	1.8245	1	0.5792	0.8200
Qatar	(Riyal)	6.6045	3.6198	2.0966	2.9683
Reunion Is. de la	(F/Fr)	10.7725	5.9043	3.4198	4.8415
Romania	(Leu)	14.781	8.1006	4.6920	6.6426
Rwanda	(Fr)	133.9333	73.4082	42.5185	60.1947
St Christopher	(E Carr $)	4.9046	2.6881	1.5570	2.2043
St Helena	(£)	1.00	0.5480	0.3174	0.4494
St Lucia	(E Carr $)	4.9046	2.6881	1.5570	2.2043
St Pierre	(French Fr)	10.7725	5.9043	3.4198	4.8415
St Vincent	(E Carr $)	4.9046	2.6881	1.5570	2.2043
San Marino	(Italian Lira)	2342.75	1284.0504	743.7301	1052.9213
Sao Tome	(Dobra)	133.7068	73.2840	42.4466	60.0929
Saudi Arabia	(Riyal)	6.8068	3.7307	2.1608	3.0592
Senegal	(CFA Fr)	538.63	295.2206	170.9936	242.0808
Seychelles	(Rupee)	9.4800	5.1959	3.0095	4.2606
Sierra Leone	(Leone)	66.10	36.2291	20.9841	29.7078
Singapore	($)	3.5393	1.9398	1.1235	1.5906
Solomon Is	($)	3.7645	2.0633	1.1950	1.6919
Somali Rep	(Shilling)	443.226	242.9301	140.7066	199.2026
South Africa	(Rand)	4.3348c	2.3758	1.3761	1.9482
		6.8818g	3.7718	2.1846	3.0929
Spain	(Peseta)	207.57	113.7681	65.8952	93.2898
Spanish Ports in N Africa	(Sp Peseta)	207.57	113.7681	65.8952	93.2898
Sri Lanka	(Rupee)	59.10	32.3924	18.7619	26.5617
Sudan Rep	(£)	8.1743	4.4802	2.5950	3.6738
Surinam	(Guilder)	3.2425	1.7771	1.0293	1.4573
Swaziland	(Lilangeni)	4.3348	2.3758	1.3761	1.9482
Sweden	(Krona)	11.0200	6.0400	3.4984	4.9528
Switzerland	(Fr)	2.6500	1.4524	0.8412	1.1910
Syria	(£)	38.1465	20.9079	12.1100	17.1444
Taiwan	($)	51.08	27.9967	16.2158	22.9573
Tanzania	(Shilling)	219.25	120.1699	69.6031	98.5393
Thailand	(Baht)	44.90	24.6094	14.2539	20.1797
Togo Rep	(CFA Fr)	538.63	295.2206	170.9936	242.0808
Tonga Is	(Pa Anga)	2.1260	1.1652	0.6749	0.9555
Trinidad/Tobago	($)	7.7201	4.2313	2.4508	3.4697
Tunisia	(Dinar)	1.5948	0.8741	0.5062	0.7167
Turkey	(Lira)	3171.96	1738.5365	1006.9714	1425.6000
Turks & Caicos	(US $)	1.8245	1	0.5792	0.8200
Tuvalu	(Australian $)	2.1260	1.1652	0.6749	0.9555
Uganda	(New Shilling)	271.8846	149.0186	86.3125	122.1953
U A E	(Dirham)	6.6700	3.6557	2.1174	2.9977
United Kingdom	(£)	1.00	0.5480	0.3174	0.4494
United States	(US $)	1.8245	1	0.5792	0.8200
Uruguay	(Peso)	778.16	426.5058	247.0349	349.7348
USSR	(Rouble)	1.0878	0.5962	0.3453	0.4888
Vanuatu	(Vatu)	183.00	100.3014	58.0952	82.2471
Vatican	(Lira)	2342.75	1284.0504	743.7301	1052.9213
Venezuela	(Bolivar)	26.3393e	14.4364	8.3616	11.8378
		13.6238p	7.4671	4.3250	6.1230
		66.28l	36.3277	21.0412	29.7887
Vietnam	(Dong)	668.472	366.3864	212.2133	300.4368
Virgin Is-British	(US $)	1.8245	1	0.5792	0.8200
Virgin Is-US	(US $)	1.8245	1	0.5792	0.8200
Western Samoa	(Tala)	3.8109	2.0887	1.2098	1.7127
Yemen	(Rial)	17.920	9.8218	5.6888	8.0539
Yemen PDR	(Dinar)	0.6231	0.3415	0.1978	0.2800
Yugoslavia	(Dinar)	7491.86	4106.2537	2378.3682	3367.1280
Zaire Rep	(Zaire)	403.33	221.0633	128.0412	181.2719
Zambia	(Kwacha)	17.10	9.3724	5.4285	7.6853
Zimbabwe	($)	3.4325	1.8813	1.0896	1.5426

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (i) Exports; (l) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday, November 21, 1988.

INTERNATIONAL CAPITAL MARKETS

Australian Wheat Board makes well-received debut

By Dominique Jackson

THE AUSTRALIAN Wheat Board made its debut in the fixed-rate Eurobond market yesterday with a well-received five-year dollar straight, providing virtually the only highlight in a quiet day for the secondary markets.

A new Euroyen deal emerged for Austria and two Australian dollar deals were also launched.

Dollar-denominated issues were depressed by a strong move in the US currency while some dealers said holidays this week in the both the US and Japan were expected to keep levels of activity low.

SBCI was the final victor in the scramble for the mandate on the deal for AWB, the Australian national wheat marketing authority, which had been expected since the borrower paid a visit to Europe late last month to broaden its potential investor base. The deal was priced to yield an initial margin of around 47 basis points over comparable US Treasury securities, a spread most dealers said they considered fair.

The AWB has a long-term credit rating of AA1/AA+ and although it does not carry a formal guarantee from the Commonwealth of Australia, the Australian Government does have an agreement to step in to fulfill any financial obligations incurred by the borrower if the circumstances should arise.

INTERNATIONAL BONDS

Yesterday's bond was intended to be the first of a string of issues in the international capital markets for the borrower, which already has a $200m medium-term note programme outstanding and has recently expanded its Australian dollar ECP programme and and signed up a new one in Ecu.

The lead manager said the deal had seen interest from a wide range of investors and was bid within fees in the early part of the trading session. Later on, as the New York market eased slightly, the bid went out to less 1.95 as the spread over Treasuries was maintained.

Elsewhere in the primary market, IBJ International extended its current dominance of the Euroyen sector with a Y30bn issue for Austria which carries a prime triple-A credit rating. The pricing was considered reasonable given the strength of the credit, coming somewhere in the middle of levels currently seen on outstanding five-year issues from sovereign borrowers in the sector.

Together with the acute shortage of yen-denominated paper in the market, these factors combined to ensure a healthy level of interest in the issue.

It ended the day bid at a discount of 1.70, still comfortably within its total fee level although it had earlier been quoted as high as less 1.60.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Australian Wheat Board♦	200	9½	101⅛	1993	1⅞/1¼	SBCI
Norges Kommunalbank♦	70	9⅛	100.625	1990	1⅞/2	Yamaichi Int.(Eur)
TRIPS Series "A"♦	23	(b)	100.1	1992	10/6bp	Toyo Trust Int.
AUSTRALIAN DOLLARS						
Skopbank (Cayman Is)♦	65	14¾	100.85	1989	1/8	Banque Paribas
Indosuez Australia♦	50	14¼	101⅛	1992	1½/1	Hambros Bank
D-MARKS						
Andelsbanken A/S♦	140	6	100	1995	2¼/1½	DG Bank
SWISS FRANCS						
John Deere Credit Co.♦	145	5	100⅞	1999	2¼	Merrill Lynch Cap.Mkts
Organ Needle Co.♦	10	4⅞	100⅞	1993	n/a	Fuji Bank (Schweiz)
ECUs						
Credit Foncier(a)♦	100	7⅞	101⅞	1994	1⅞/1¼	CCF
YEN						
Austria♦	30bn	4⅞	101⅞	1994	1⅞/1¼	IBJ Int.

★Private placement. ♦Final terms. a) Fungible with previous issues. b) 0.175% over 6m Libor. Backed by Japanese bank ex-warrant bonds.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 21

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

World's accountants carve out consensus

Richard Waters on moves to make international financial reports more comparable

Attempts to make the financial statements of companies in different countries more comparable is a thankless task. As Mr Mark Wovsaniker, research manager of the International Accounting Standards Committee (IASC), says of the latest effort in this slow and arduous process: "No one country is happy. That's probably the best way for this to come out – one hasn't been favoured above others."

Mr Wovsaniker's comment follows a week of hard bargaining among accountants from 13 different nations who, together with a token investment analyst, make up the IASC's board.

They have agreed among themselves on moves to eradicate 35 accounting options which make it difficult or impossible to compare the performance of companies from different countries. However, that was the easy part: now they have to convince the rest of the world that thay are right.

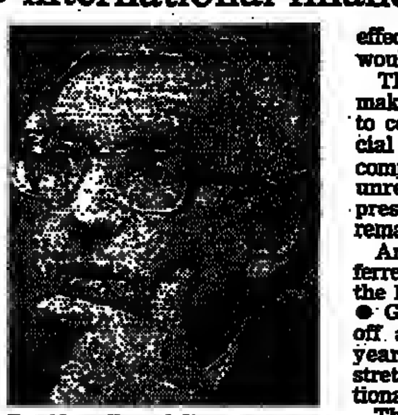
The need for internationally comparable financial statements has grown rapidly, with ths development of international capital markets. Support for change has also gathered pace recently.

An organisation representing securities regulators from around the world has thrown its weight behind the IASC effort. Soms of its members, snch the London Stock Exchange, already accept accounts which comply with international, rather than local, rules.

At en after dinner speech to the Institnte of Chartered Accountants of Scotland earlier this month, Mr David Walker, a former executive director of the Bank of England and head of the Securities and Investments Board, delivered one of the strongest calls for consistency in financial reporting.

The IASC's answer has been an attempt to tighten its existing accounting rules. Developed over the past 15 years, these contain a range of options which many claim makes them intolerably loose.

The IASC's tally, revealed after a meeting earlier this month, looks impressive: unanimous agreement for abolishing 23 accounting options and specifying 12 preferrsd accounting treatments. In reality, though, it has found it hard to abolish significant variations and has been force merely to recommend best practice in these cases.



David Walker: delivered call for consistency

Where companies do not follow best practice, they must disclose in a note what the effect of the preferred method would have been.

This type of disclosure makes it possible for analysts to construct comparable financial statements for different companies. But comparing the unreconstructed accounts as presented by companies will remain impossible.

Among the leading "preferred treatments" proposed by the IASC are:

- Goodwill should be written off against profits over five years, though this can be stretched to 20 years in exceptional circumstances.

This will please few countries: US companies are allowed a 40-year write off period, while their UK counterparts take goodwill through reserves without tonching future profits.

To comply with tha IASC rule, US companies would have to restate their profits in their main accounts to reflect the faster depreciation. UK companies, on the other hand, would need only to produce a footnote showing what would have happened if they had used this treatement.

- When valuing inventories, companies should assume that the first stocks produced or bought are the first ones to be sold.

This valnation method, known as FIFO and used in most countries, contrasts with the LIFO method in use in the US, which can lead to a considerable understatement of profits and inventories shown in balance sheets. US companies will be able to continue with their current practice, provided they disclose the effects of a FIFO valuation method.

- Assets should be shown at cost rather than present valnes. Companies using revaluations in their accounts should disclose the historic cost in a note.

- In a separate move, the IASC has agreed a draft standard on accounting for deferred taxes. In effect this would force companies in some countries, such as the UK and Ireland, to set aside far larger provisions for deferred taxes than at presant, eating into their reported shareholders' funds.

Poison puts to affect ratings by Moody's

By Norma Cohen

MOODY'S INVESTORS Service has become the first leading credit rating agency to assess the value of so-called "poison puts" along with ordinary credit risk when assigning ratings to bonds.

Moody's is also to review credit ratings of borrowers or of entire industries whose bond indentures do not contain poison puts if future circumstances suggest increasing event risks.

Poison puts are clauses usually allowing bondholders to put a bond back to the issuer if certain avents occur – generally highly leveraged bids or management buy-outs.

The rating agencies have faced growing pressure for such a move from angry bondholders whose securities have plummeted in value after a company has become the target of a takeover hid or a leveraged buy-out.

Moody's, in assigning ratings to the bonds of two US corporate borrowers, makes a distinction between degrees of event risk at different companies. For instance, it assigned a A-2 rating to a new domestic bond with a poison put issued by Harris Corp, whose senior debt carries a lower A-3 credit rating.

However, Moody's assigned a Baa rating to a new bond issued by Northwest Pipeline, also containing a poison put, a rating equivalent to that of its existing non-protected debt.

However, because Northwest Pipeline, a natural gas transmission company, is a regulated utility, the likelihood of a takeover is deemed remote.

Moody's said that if the threat of a takeover or leveraged buy-out was small, the value of indenture protection was less meaningful and might not result in any increase in credit rating.

In the case of Harris Corp, the bond indenture provides that if the issuer takes certain specified actions resulting in the bonds being recategorised as sub-investment grade which trade below par, Harris must either redeem the bonds at par or increase the coupon sufficiently to restore the bonds to a par price in the secondary market.

Underwriters' R&D spending criticised

By Norma Cohen

EUROBOND underwritsrs spend too mnch money on product research and development and on analysis, possibly contributing to a failure in the financial system, a recent discussion paper on the Eurobond markets prepared by staff at ths Bank of England concludes.

While the views contained in the study are not necessarily those of the Bank, the theme of the report – systemic threats to the banking system posed by the securities markets – is one that has repeatedly haen the focns of Bank comment.

One example of an innovative product gone wrong is the case of perpetual floating-rate notes, which were heavily sold by Eurobond underwriters to investors, with neither group really understanding the equity characteristics of the securities.

Not only did those securities ceuses millions of dollars in losses, hut they also prompted the collapse of the market in dated FRNs, which did not share the deficiencies of their undated counterparts.

The excessive expenditure of funds on research and development has led to prohlems of illiquidity and inadequats information. In addition, the same research is often duplicated by competing firms, so thet no real value is added to the industry. "The duplication of effort in production of such information is arguably a deadweight loss, which increases the costs of intermediation," the study says.

The investment of money in research and development is prompted by firms' desire to ohtain mandates for new issues, a goal which does not necessarily mean cheaper financing costs for borrowers or hetter returns to investors. And hecause such research only forces competitors to spend similarly, it raises operating costs for everyone.

The innovative products that result from heavy R&D expenditures can also have a deleterious effect on the markets. "New instruments often prove illiquid – often due to small amounts outstanding," the study concludes.

Furthermore the heavy expenditure of funds is no guarantee that firms really understand the risks inherent in the new securities they design.

Industriol Structure ond Dynamics of Finoncial Markets: The Primory Eurobond Morket. Available from the Bank of England, Economics Division, London EC2R 8AH

NYSE chief in warning on 'passive investment'

By Chris Sherwell in Sydney

THE DRIFT by institutions towards "passive investment" on US stock markets was a matter of growing concern, Mr John Phelan, chairman of the New York Stock Exchange, said in Sydney yesterday.

His remarks, made at a press conference during a brief visit to Australia, echoed concerns he has recently voiced over investment institutions' increasing tendency to trade on the basis of index-related, and other, formulae.

Mr Phelan also sounded a warning over the trend towards large debt-financed buy-outs, in particular the RJR Nabisco case. This, he said, raised concerns about over-leverage.

Passive investment, in which the switching of whole baskets of assets can be triggered by a formula, was of little consequence if it was being conducted on a relatively small scale, Mr Phelan said.

But if between 30 and 40 per cent of those investing were doing it, he asked, "who is the buyer on the other side?"

There would be "severe imbalances" which would require either a change in the way the whole system operated or the introduction of "shock absorbers" to counter them.

Mr Phelan also supported the US Securities and Exchange Commission's policy statement for the creation and regulation of a global securities market, unveiled last week.

Layoff fears at Citicorp HK unit allayed

By Michael Marray in Hong Kong

THE DECISION by Citicorp, the US banking group, to restructure its international hroking activities will not result in any immediate layoffs in the Hong Kong office of Citicorp Scrimgeour Vickers, according to company officials.

The move out of cross-border broking by Citicorp Scrimgeour Vickers and the consequent firing of staff in Europe and the US has raised questions about the future viability of the Hong Kong operation.

However, Mr Anthony Leung, a Citicorp Scrimgeour Vickers divisional executive in charge of north Asia, said there would be no layoffs among the 100 staff working in the Hong Kong office. He added that some employees might be redeployed.

Mr Phillip Tose, chairman of Citicorp Scrimgeour Vickers International, is leaving to set up his own merchant banking and broking operation.

GOVERNMENT BONDS

Poll boost for Canadian trading

By Norma Cohen in London and Janet Bush in New York

CANADIAN government bond prices closed about ¼ point firmer, paring gains of up to ⅝ scored on a rush of speculative buying as trading began.

As polls opened for the Canadian national election yesterday, trading tapered off to a trickle and activity was limited to position squaring. But the release of new opinion polls over the weekend showing the ruling Conservative party decisively regaining ground led to a surge of confidence in both bond and currency markets.

The latest polls gave the Conservatives 41 to 43 per cent support, the anti-free trade agreement Liberals about 32 per cent and the New Democrats about 22 per cent.

UK GOVERNMENT bonds closed unchanged to slightly lower after a day of very sluggish trading. The next significant development for gilts will be October's trade figures, to be released on Friday, and trading is expected to be slow all week.

Today, data on UK building society mortgage commitments are to be released and most expect demand for home loans to show a decline for the third successive month. Slowing demand will show that the Chancellor's policy of squeezing short-term rates to cool consumer demand is having the desired effect.

The Bank of England was not seen buying stock in the market yesterday.

US Treasury bonds started with a small improvement yesterday morning, partly related to softness in crude oil prices and a better performance by the dollar overseas. However, modest early gains were turned into marginal losses by midsession as the dollar once again came under pressure.

Prices were quoted unchanged to ⅛ point in short and medium-dated maturities and the Treasury's new 9 per cent 2011/18 benchmark long bond auctioned last week was quoted ⅛ point lower for a yield of 9.12 per cent.

At midsession, the dollar had fallen to Y121.9 and DM1.728 compared with Y122.85 and DM1.7385 earlier in the session. Selling of the dollar was cautious because of the fear of more co-ordinated central bank intervention.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	109-21	-2/32	10.37	10.32	10.00
	8.750	9/97	93-21	-1/32	9.84	9.78	9.59
	9.000	10/08	99-10	+2/32	9.07	9.07	8.90
US TREASURY*	9.250	8/98	101-02	-	9.08	8.97	8.83
	9.125	5/15	99-24	-	9.15	9.06	8.92
JAPAN No 105	5.000	12/97	102.8951	+0.393	4.58	4.59	4.67
No 2	5.700	3/07	106.1440	+0.417	4.66	4.67	4.90
GERMANY	6.750	8/98	102.7000	+0.125	6.39	6.40	6.39
FRANCE BTAN	8.000	10/93	97.7826	-	8.56	8.59	8.57
OAT	9.500	5/98	104.3750	+0.225	8.76	8.86	8.86
CANADA*	10.250	12/98	101.2500	+0.250	10.05	10.17	9.81
NETHERLANDS	6.7500	10/98	102.7000	+0.250	6.44	6.45	6.29
AUSTRALIA	12.500	1/98	101.9103	-0.083	12.14	11.97	11.81

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal.

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Fri Nov 18 Index No.	Thu Nov 17 Index No.	Wed Nov 16 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (56)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (187)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (92)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (488)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (124)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (52)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (77)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (711)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Mon Nov 21	Day's change %	Fri Nov 18	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 5-15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Index-Linked					
6 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Over 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS	Mon Nov 21	Fri Nov 18	Year ago (approx.)
British Government			
1 Low Coupons 5 years	[illegible]	[illegible]	[illegible]
2 15 years	[illegible]	[illegible]	[illegible]
3 25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons 5 years	[illegible]	[illegible]	[illegible]
5 15 years	[illegible]	[illegible]	[illegible]
6 25 years	[illegible]	[illegible]	[illegible]
7 High Coupons 5 years	[illegible]	[illegible]	[illegible]
8 15 years	[illegible]	[illegible]	[illegible]
9 25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables	[illegible]	[illegible]	[illegible]
Index-Linked			
11 Inflation rate 5% 5yrs.	[illegible]	[illegible]	[illegible]
12 Inflation rate 5% Over 5 yrs.	[illegible]	[illegible]	[illegible]
13 Inflation rate 10% 5yrs.	[illegible]	[illegible]	[illegible]
14 Inflation rate 10% Over 5 yrs.	[illegible]	[illegible]	[illegible]
15 Debs & Loans 5 years	[illegible]	[illegible]	[illegible]
16 15 years	[illegible]	[illegible]	[illegible]
17 25 years	[illegible]	[illegible]	[illegible]
18 Preference	[illegible]	[illegible]	[illegible]

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	38	43	30
Corporations, Dominion and Foreign Bonds	14	8	29
Industrials	268	483	822
Financial and Properties	89	155	423
Oils	7	38	60
Plantations	0	1	12
Mines	13	74	101
Others	98	56	90
Totals	527	858	1,567

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Nov 21
- Last Dealings Dec 2
- Last Declarations Feb 23
- For settlement Mar 6

Calls in Dares Estates, Blacks Leis, Talbex Grp, Brooke Tool, Bestwood, Cooper (Fred), Holmes Prot, Ald Lyons, Unigate, Baltrex, Trasswood, Kelos Grp, Charterhall. Puts: Unigate, VSEL Consortium.

For rate indications see end of London Share Service

LONDON TRADED OPTIONS

[illegible]

UK COMPANY NEWS

EMAP advances 33% as regional papers grow

By Vanessa Houlder

AFTER SIX months of strong organic growth, EMAP, the publishing, printing and exhibitions group, yesterday announced a 33 per cent rise in pre-tax profits to £11.23m (£8.45m). Turnover for the half year to October 1 increased by 24 per cent from £84.9m to £105.64m.

Sir Frank Rogers, chairman, predicted that the second half would be up to expectations and said he was confident about progress in the longer term.

The results were scored after launch costs of £3.5m for six magazines, chief of which were More!, aimed at young women, and Today's Golfer.

The regional newspapers experienced 30 per cent growth in advertising revenues. This was accompanied by savings from improved production and technology. In the next two years, the company expects to see production costs halved to £20 per page, resulting in a saving of £2m a year.

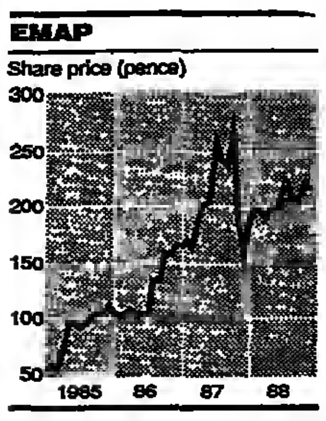
Further savings of between £2m and £2.5m are expected to come from efficiencies in distribution. These stemmed from a shift from rail to road transport, the renegotiation of contracts with wholesalers and the increased volumes generated by the company's co-operation with Haymarket.

EMAP also expects rationalisation benefits on its contract printing business. It has just signed a four-year contract to print the Wall Street Journal.

The company has no borrowings at present and net interest generated was £35,000. An extraordinary item of £1.2m was struck after the sale of property, business interests and a magazine.

Earnings per share rose by 29 per cent to 5.3p (4.1p). An interim dividend of 1.43p (1.10p) was declared.

Sir Frank Rogers: The second half will be up to expectations.



● COMMENT

EMAP has a habit of beating even the most daring forecasts and these results were no exception. It is this kind of reliability, together with its acclaimed management, increasing efficiency and strong record on launches and acquisitions that have earned the company a premium rating. However, given that EMAP is so well appreciated by the market, investors may wonder where the share price can go from here – particularly as its increasing size makes spectacular profits advances ever more difficult to achieve. In the absence of worries about EMAP's own strategy, the City's chief concern is the extent to which the company's fortunes are tied to the health of the economy. *On this score*, however, the company is perhaps rather less vulnerable than it might first seem. Consumer magazines take most of their revenues from cover prices, and exhibitions should *show some resilience even if* sales budgets are cut. In addition, new technology is cutting costs and would give the company more flexibility in the event of a downturn. If EMAP makes £33m for the full year, *the shares, unchanged at 216p,* are on a prospective multiple of 13.5 - fair value.

COMPANY NEWS IN BRIEF

ACSIS GROUP open offer accepted for 3m shares (10.8 per cent) and placees will take up balance.

AMSTAR SUGAR: acquisition by Tate and Lyle not being referred to Monopolies Commission.

ASSOCIATED NEWSPAPERS: Daily Mail and General Investments had, by November 16, received acceptances in respect of 37.58m Associated ordinary (28.09 per cent). DMGI now speaks for 112.23m (83.89 per cent), and the offer has been extended until November 25.

BET offshoot, Drinkmaster, drinks dispenser, has announced that it is finalising arrangements to acquire privately-owned vending distributors, Eurobev. Drinkmaster said the acquisition would increase turnover by 50 per cent. Last year it had pre-tax profits of £1.3m.

BIRMID QUALCAST: bid by Blue Circle Industries not being referred to Monopolies Commission.

DALGETY: Current year had started well, Sir Peter Carey, chairman, told agm. He was confident and expected further advances across the range of activities. Referring to 1992, Sir Peter said group was well positioned, being represented in 10 of the 12 EC countries.

DWYER,property investment and trading company, is acquiring a portfolio of nine *commercial properties from* Manufacturers Life Insurance Company for £9m cash. The annual rent roll is about £700,000.

ESTATES & AGENCY has announced the placing of a further £7.5m 11.25 per cent first debenture mortgage stock 2020, redeemable on or before December 31 2020.

EVODE GROUP is selling about 3.7 acres of freehold land near Gerrards Cross, Buckinghamshire. The land is owned by the Commercial Ignition Company, acquired by Evode in 1987. Consideration will be about £3.8m in cash and completion is expected on December 14.

FIRST NATIONAL Finance has purchased Barnett Davanney Group, insurance broker, for £1.75m cash.

GREEN PROPERTY has placed 16m 8 per cent redeemable convertible unsecured loan stock 1988-1995 with investment institutions, for expansion of activities in Ireland and UK. Each £100 of stock is convertible into 66.66 ordinary shares between 1991-1995 and redeemable at par in 1995.

GUINNESS has bought two parcels of 250,000 of its own *stock units at 332.4p, and 1m* units at 334.4p. Cumulative purchases to date total 36.11m.

INVESTING IN Success Equities has declared offer for Panfida unconditional and merger now effective; name to be changed to Panfida Group. Acquisition of controlling interest in MRG (Holdings) also unconditional and change from investment trust to trading company effective.

LYNX TECHNOLOGY is to buy Advanced Processor Design for an initial £240,000, to be satisfied by the issue of 2m ordinary shares. Further consideration up to £750,000 depends on profits up to March 31 1990.

MAXWELL COMMUNICATION Corporation: its proposed acquisition of the Official Airlines Guide division of Dun & Bradstreet is not to be referred to the Monopolies and Mergers Commission.

NORFOLK CAPITAL Hotels has bought Twyford Abbey in north London, for £5m, for development.

Emess reveals higher stake in Scholes

By Nikki Tait

EMESS, the acquisitive lighting manufacturer, revealed yesterday that it has been adding to its small stake in George Scholes, the electrical engineering group. Last week, Scholes announced that it was having discussions which might or might not lead to an offer being made.

Emess said it had picked up a further 112,500 shares at prices ranging from 266p to *275p. This takes its total holding* to just under 1m shares, or about 2.85 per cent of the equity. The latest shares were bought through stockbrokers, Panmure Gordon.

Yesterday, Mr Michael *Meyer, chairman of Emess*, declined to say whether he believed it was an approach from his company which prompted the Scholes statement. Emess has, however, made clear in the past that it views the electrical accessories market as ready for consolidation.

"I have already said that the electrical accessories sector will not remain the same," commented Mr Meyer.

He added that there had been previous contact between Scholes and Emess's Tenby subsidiary, which it acquired in early-1987, on "how we could participate together."

Emess failed to win a bid battle for Rotaflex in 1986, but has since made a number of friendly acquisitions. This summer, it lost out again, this time in a battle with Thorn EMI for control of the French lighting producer, Holophane. However, as the result of a rights issue to fund the French acquisition, the UK company has net cash of around £30m.

Scholes, meanwhile, saw off an unwanted £70m bid from Delta Group in August 1987. *Last week*, Delta - theoretically free to bid again - declined to make any comment on the Scholes statement. The only comment yesterday from Scholes advisers, N.M. Rothschild, was that discussions were continuing.

As Delta found, a hostile offer for Scholes can face a fairly formidable family stake - around 22 per cent of the equity - while Britannic Assurance has some 12 per cent and the *Prudential about* 6 per cent.

In the market, Scholes shares gained 3p to 270p, while Emess lost 3p to 450p.

Inchcape £28m sale

Inchcape is selling its Inchcape House complex in Singapore for S$100m (£28.5m) cash to Casurina, which is jointly owned by United Industrial Corporation and Cotaka, private Hong Kong company.

Lee Valley/Gen Util

General Utilities' offers for Lee Valley Water Company have been declared unconditional after acceptances and purchases during the offer period took the amount of stock controlled by GU to 52.5 per cent, worth £7.86m. Since the offers were made acceptances have been received in respect of 3.8 per cent of the stock and 9.48 per cent has been bought.

NSM disposal

NSM, the coal-mining and building materials company, is to sell Parklands Colliery, operator of two underground pits in Staffordshire, to Young Group for £1.03m in cash and shares. The share issue by Young, a USM-quoted coal producer, will give NSM a 4.9 per cent stake.

Surprised but unrepentant

Nick Bunker considers GA's problems in New Zealand banking

THERE HAS always been a touch of remoteness about General Accident, UK's second largest composite insurer. A conservative company by habit and reputation, its distance from the deal-making culture of the City of London is symbolised by the location of its headquarters on a hillside above Perth, Scotland, where visitors can glimpse the snow-capped peaks of the Grampians to the north.

Yesterday morning's revelations of the scale of the doubtful debts on the banking books of NZI Corporation, its newly-*acquired 51 per cent subsidiary*, could help change that image for good.

GA is unrepentant about the long-term strategic value of its £398m investment this summer in NZI, New Zealand-based *insurance and banking group*. "Intrinsically, it is a good investment," said Mr Ian Menzies, who with his fellow general manager, Mr Nelson Robertson, negotiated the deal, which centered on buying a 38 per cent stake held by Sir Ron Brierley's Brierley Investments.

And the total doubtful loans provision of NZ$283m (£100m) shrinks in significance when viewed against *GA's shareholders' funds at the end of 1987 of* £1.7bn.

The purchase of a controlling stake in NZI was the biggest single corporate acquisition GA had made since 1967. In that year it widened its scope beyond its traditional domain of motor and fire insurance by buying another UK insurer, the Yorkshire, for its life assurance business.

Prior to NZI GA's most exotic recent acquisition had *been the purchase in 1984* of a controlling interest in a small life insurer in Puerto Rico, and its most radical venture into new operating areas had been its purchase of 33 chains of estate agents in the UK in 1986/7.

To have hit choppy water *with its first major departure* overseas is, at best, an embarassment. "It's damaged the company's image in the City," said Mr Chris Pountain, insurance analyst with County NatWestWoodMac, stockbroker.

GA does not conceal its chagrin at the fact that along with NZI's board it believes it was misled by NZI employees about the health of the banking balance sheet.

According to Mr Menzies, information suggesting that the loan book could be in a much worse state than had been allowed for in June began to emerge soon after the acquisition of 51 per cent was completed in July. The scale of the problem was masked, though, by the fact that interest payments on some of the problem loans were being made promptly.

"It was only when questions were asked that it was found that there was a bit of a charade," says Mr Menzies, while emphasizing that NZI's board was as mortified as GA itself.

By the end of August, when NZI had reported a 25 per cent *drop in net profits in the quarter* to June 30, and said further provisions might have to be made, the signs of trouble were evident in Perth. "We asked them to take a very good look at the loan book," says Mr Menzies.

WORLDWIDE NON-LIFE INSURANCE – 1987	Premiums (£ millions)	Per cent of business
UK	820.2	38
US	723.8	33
EC (other than UK)	149.9	7
Canada	240.3	11
Other overseas	235.3	11
Total	2169.5	100

● GA also had £213.0m of life assurance premiums in 1987.
Source: County NatWest — Wood Mackenzie

While GA was reluctant yesterday to go into detail about the precise origin of the bad debts the provisions that have now been made relate predominantly to business in Australia. According to Mr Menzies "a very big chunk" is due to the knock-on effect in Western Australia of the Rothwells collapse.

GA's immediate strategy is to back NZI in what it calls a tidying-up of the bank, to be led by Mr Don Clark, a former banker from New Zealand who has taken over as NZI's executive director in charge of banking.

"He's got a few grey hairs, but he'll bring back some of the standards that used to apply in banking" Mr Menzies said. GA feels that the banking arm lacked some necessary procedural checks and balances which it now wants to see put in place.

A more sensitive question is whether GA will want to keep an exposure to the alien field of banking for any length of time. The company is well aware that one reaction when it announced its purchase of Sir Ron's stake on June 20 was surprise that it was venturing away from its core businesses.

Mr Menzies said yesterday that NZI might dispose of its banking interests. Offers for NZI Bank had already been received, though no deal was envisaged at present.

Ian Menzies: instrinsically it is a good deal

The bank was being "cleaned up and resurrected, but it may be that it is not necessarily going to be with us for the long-term," he added.

That, however, will not calm all the fears voiced by observers in London.

GA still argues that it sees NZI's insurance operations as the key to its strategic importance, with the potential to act as a *springboard for long-term* expansion in the Pacific Basin.

Yet some London stockbrokers' analysts have always been bothered by NZI's immediate exposure to the volatile and highly-competitive Australian domestic non-life insurance markets, now entering one of its cyclical downturns.

"The market's fairly appalling in Australia," said Mr Michael Hesketh, head of insurance research at London's Warburg Securities. "It seems to have turned horrible just when GA took over NZI."

Brit Syphon £50m offer emerges

By Clare Pearson

THE MANAGEMENT'S offer for British Syphon, merchanting and manufacturing concern, yesterday emerged as planned at £49.9m, even though some shareholders had made clear they saw this as too low. The terms were, however, accompanied by a lower-than-expected profits forecast for the current year.

Mr Glyn Morris of Electra Investment Trust, which holds 10.6 per cent of the shares, said he continued to see the offer as unattractive,

But Mr Christopher Spence of PK English Trust Company, adviser to British Syphon's independent director who is recommending the offer, said he saw the forecast for the year to end-December of £5.25m – some £75,000 lower than expected – as a new twist which could alter other shareholders' views.

The ordinary shares, valued at 155p under the offer, which is final, closed 2p down at 156p.

Mr Nathu Ram Puri, an industrialist who holds about 8 per cent of the shares, and Mr Michael Kent, head of Olives Paper Mills who speaks for about 4 per cent, could not be reached yesterday. Both had last month expressed disapproval of the terms.

The management, which taking its options into account controls 8.5 per cent of the fully-diluted equity, will initially hold about 72 per cent if the offer goes through. The balance will be owned by Bankers Trust, which is providing the necessary borrowing facilities.

The bid values the preference shares at 100p. The ordinary share offer provides an historic exit *p/e* of 15.5.

Iceland fires fresh bid salvo

By Philip Coggan

ICELAND FROZEN Foods has continued the war of words with Bejam, the rival frozen foods retailer for which it is making a £244.5m bid.

In a letter to Bejam shareholders, Mr Malcolm Walker, Iceland chairman, argues that, although Bejam's sales per square foot are higher than Iceland's, *the latter are rising whilst the former are static or* declining.

Mr Walker reiterates his belief that the "commercial *logic of merging Iceland and* Bejam is indisputable" and that the value of Iceland's offer, which currently values each Bejam share at 198p, is fair.

Responding to the document, *Mr Tim How, Bejam managing* director, commented "Iceland says nothing to alter our view that its offer is wholly inadequate and makes no sense for *Bejam shareholders*".

Holders of 30 per cent of Bejam's equity, consisting mainly of the founding Apthorp family, have decided not to accept the offer.

Bejam shares closed 2p down at *194p; Iceland's were* unchanged at 325p.

Sharpe & Fisher restructures

SHARPE & FISHER has announced details of its restructuring following the sale of its Sandfords DIY chain to Texas Homecare, part of Ladbroke, for £42m.

As *previously announced*, the proceeds from the Sandford sale are being distributed to shareholders. For every old share, holders will receive 160p in cash plus one share in a new company, Sharpe & Fisher (1988).

The record date for qualifying holders is expected to be January 16 1989 and payment is expected to be dispatched on January 31. In view of this substantial payment, the directors do not expect to propose a final dividend in respect of the year ending December 31 1988.

There are a number of board changes. Mr Roy Stringer, non-executive chairman, will be stepping down after the proposals are implemented. Mr John Bays, managing director of Sharpe & Fisher (Properties), is resigning his executive duties but will remain a director. Mr Bernard Roper, managing director of Sandfords, will assume a new position as group development director.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Brown Shipley ....int	4	Jan 7	4	–	10.5
City Gate Ests §........int	3.375	Feb 24	-	-	-
Control Secs ....int	0.375‡	Jan 4	-	-	-
de Morgan ....int	1.25	Jan 16	0.65	2.5	
Diploma ....fin	5.5	Jan 6	4.5	7.5	6
EMAP ....int	1.43†	Jan 6	1.1	-	4.2
Govett Atlantic ....fin	2.05	-	1.9	3.15	3
Parkland Textile ....int	2	Jan 13	1.8	-	5.7
Piccadilly Radio ....fin	2.25§	Apr 3	1.375	3.25	2.25
Reflex Invs § ....int	0.449♣	–	-	–	0.562
Rexmore ....int	0.7	Jan 25	0.55	-	1.8
Shani Group § ....fin	1.6	Jan 19	-	1.61	-
Unit Group ♦ ....int	2.5	Jan 3	1.25	-	6
Volex Group ....int	6	Feb 13	4	-	12

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡On increased capital. Similar special payment made in July *as final for 1987-88 and represented return to dividends.* ♣Irish pence throughout.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Christie Group, Delmar, German Smaller Co's. Inv Trust, Mercury Asset Management, Moots Inv Trust, Powell Duffryn, Sedgwick, TR Property Inv Trust, VSEL Consortium, Walker & Staff.

Finals- Marine Adventure Sailing Trust, Parkway,Radio City.

FUTURE DATES

Interims-

Beaverco	Dec. 8
BB & EA	Dec. 14
Caradon	Dec. 5
Dewson International	Nov. 29
Hughes Food	Nov. 28
Joseph (Leopold)	Dec. 6
London Securities	Nov. 29
Lyons Irish	Nov. 28
Mountview Estates	Nov. 30
NSM	Nov. 29
Osbourne & Little	Dec. 8
Royal Bank of Scotland	Dec. 1
Sheraton Securities Intl	Nov. 28
Wilton	Nov. 23

Finals-

Circaprint	Nov. 25
Eldridge, Pope	Dec. 6
Irish Wire Products	Nov. 29
Johnson & Firth Brown	Nov. 28
Tate & Lyle	Nov. 30

UK COMPANY NEWS

THF sells 10 hotels in the provinces

By David Waller

TRUSTHOUSE Forte has sold 10 of its provincial hotels. The price raised was not disclosed yesterday, but analysts put it at some £30m, working out at around £40,000 per room.

The move was widely expected after the £174m acquisition of the Kennedy Brookes chain in March this year. In addition to the Wheeler's restaurant chain and the Howard Hotel in New York, this gave THF the Heritage chain of country hotels in the UK and led to some duplication with its existing hotel portfolio.

Among the hotels being sold are: the North Stafford in Stoke on Trent, Queens in Chester, the Metropole in Leeds, Craiglands in Ilkley, and the Cumbria Grand in Grange-over-Sands.

Following the sale, THF operates 260 hotels with 24,500 rooms in the UK, with a further 14 hotels under development.

Nine of the hotels are being bought by Crown Hotels (Eclipsecare) and completion will take place early next month.

Advance achieved despite 'indifferent' conditions in largest sector

Diploma increases 25% to £19.3m

By David Waller

DIPLOMA, electronic components and building supplies company, managed to increase pre-tax profits by 25 per cent to £19.3m in the year to the end of September, despite only "marginally favourable" trading conditions.

Profit margins edged up from 13.6 to 14.7 per cent on turnover up by £16m to £127m. Earnings per share rose by 24 per cent to 20.7p (16.7p), whilst the proposed final dividend is 5.5p per share, making 7.5p (6p) for the full year.

Mr Chistoper Thomas, chairman, said the year could be viewed as a very good one for the group, given "indifferent" conditions in the electronic component distribution market, its largest trading sector.

After a slowdown in growth in the second half, profits from that sector rose from £7.7m to £8m for the year, on turnover of £71m (£65.7m), representing a slight increase in Diploma's share of a static market.

The market for building components – specifically lintels – was buoyant, reflecting dynamic conditions in the UK housing market. Profits from this division climbed from £6.4m to £8.4m on turnover of £45.2m (£37.1m).

Conditions in the the oil service and engineering markets for the company's special steels showed only a gradual improvement. Nevertheless, attention to cost of sales produced a 57 per cent improvement in profits to £2.2m (£1.4m), on turnover up by 25 per cent to £10.9m.

Yeare end cash balances stood at £10m, up from £3m at the end of the previous year.

Mr Thomas gave a characteristically cautious assessment of prospects for the current year, but reported nonetheless that orders, sales and profitability for the opening weeks of the year were "most encouraging."

● COMMENT

A 5p fall in Diploma'e share price to 205p yesterday reflected the City's marginal disappointment at a set of figures that came in just below expectations. Despite the shortfall, the figures were impressive. The company managed to win market share and margin growth from its main, electronic compooents business, cut its costs in the special steels business, and make the most of the UK'e buoyant building conditions –. generating a 38 per cent return on capital and more than £7m in net cash. Despite modest growth in electrocomponents, disposable income restraint on the building sector and the adverse effect of the low crude price on the oil sector, even Mr Thomas expects trading prospects to be good in the current year. The company sbould make pre-tax profits of £22m and pay a dividend of 8.7p a share, putting the shares on a low prospective multiple of 8.3, safely underpinned by a prospective yield of 5½ per cent.

US buys for United Newspapers

United Newspapers has, through its Link House Publications snbsidiary, acquired two national advertising periodicals in the US.

In August it bought Iowa-based Compoter Hot Line for $6m (£3.3m) cash. A further $3m is payable on achievement of pre-set targets. The company's primary business is in facilitating the advertising of new and nsed compnters to end users.

This month it acquired Telecom Gear, a Philadelphia company which is involved in the advertising of new and used telecommunications equipment. The purchase price of $3.6m (£2m) is to be paid in cash on completion.

The titles will be managed by Link House Pnblications' US holding company, B-L Press.

Midterm setback for Brown Shipley

By David Lascelles, Banking Editor

BROWN SHIPLEY, City financial services group, suffered a fall in pre-tax profits at the half-way stage, mainly because of the cost of changes introduced by new management.

Mr John van Kuffeler, who took over as chief executive last May, yesterday said that the costs were caused by an office closure and redundancies, but that these had laid the basis for an improved performance in the future. "There is a 'new broom' element to our results," he said.

The group gave no details of its figures, which covered the period up to September 30. Yesterday's announcement merely said thet pre-tax profits "were lower" than the equivalent period last year. The interim dividend is to be maintained st 4p.

Mr van Kuffeler said that a full review of the group's operations had been carried out. As a result some 100 people had been made redundant, and one banking office, in Hong Kong, closed. The group had sold its 80 per cent interest in Trinity Bank, Dublin, and had reorganised its investment divisioo, wbere performance had been affected by the slump in the markets.

The group is organised into three main activities. Merchant banking produced good results, with a eteady flow of business in corporate finance and development capital. Activities were now being focussed on the UK, US and European markets.

Investment managemeot suffered from the slump in the stock markets, and ooe of the group's four stockbroking firms made a loss. But Mr van Kuffeler said he was confident thet the reorganisation would produce improved results. New stockbroking offices were being opened.

The insurance broking division performed strongly, particularly in the area of schools insurance in whicb Brown Shipley specialises.

Brown Shipley expects the second half to be better than the first, but because of the downturn it warns that the overall result will be below last year's. Of its future it says: "It is clear that a well focussed independent group has a significant role to play in today's financial markets."

TIP trailers expands via £10.5m Dutch acquisition

By Kevin Brown, Transport Correspondent

TIP EUROPE, the Anglo-Dutch trailer rental group, yesterday announced the acquisition of the Cetem/ITR Group, based in The Netherlands, for Fl 37.1m (£10.5m).

The deal marks a further rationalisation of the fast-growing European trailer rental sector following the recent £71.5m acquisition of Rentco by Tiphook, both of the UK.

TIP said the deal would add 1,250 trailers to its existing fleet of around 10,000. However, it plans to spend a further £20m on expansion in the year to next July, and expects to have a fleet of more than 16,000 by late 1989.

This would be roughly equivalent to the combined Tiphook/Rentco fleet, currently the largest in Europe.

Mr Jim Cleary, TIP chairman, said negotiations with the board of Cetem/ITR started 18 months ago. He denied that the acquisition was a response to the Tiphook/Rentco deal.

However, he said the founder directors of Cetem/ITR, Mr John Gerritsen and Mr Cees Dries had decided to sell after the Tiphook deal was announced.

"They took the view that they would rather be bought ont than squeezed out," Mr Cleary said. Both men are leaving the company, but will remain for six months as consultants to TIP.

Cetem/ITR, which is privately-owned, is forecasting pre-tax profits of £211,000 for the six months to June 30. TIP said the book value of net assets was £1.2m. However,TIP said both profits and asset values had been understated because of the impact of Dntch tax laws.

The acquisition is being partly financed by the issue of 6.5m new shares, representing 9.81 per cent of the existing capital, which are being placed with institutional investors at 153.5p to raise £9.9m net. The shares closed down 1p at 160p.

Enlarged Talbex back in profit with £1.06m

TALBEX GROUP has returned to a profit of £1.06m for the year ended July 31 1988, in line with the forecast made in September.

It compared with losses of £1.28m previously and £810,000 in 1985-86.

There is not yet a return to dividends.

The directors said their actions over the year had established a solid base for the future development of the group. Its interests include aerosol filling and coal mining.

They acquired Agate, the main contractor for the new plant in South Humberside, in April, and sold 80 per cent of the sub-holding company of its loss making advertising division in July.

Victoreen, a US group servicing the medical and health physics markets, was bought for £7.5m in cash and shares in mid-September.

For the year there was an extraordinary loss of £1.87m mainly relating to the disposal of the advertising side.

Turnover came to £20.8m (£17.54m) and earnings were 0.85p (loss 1.87p).

NEI spends £10m on mining expansion

For £10m cash Northern Engineering Industries has bought 90 per cent of Becorit (Holdings), maker of mining eqnipment, inclnding armoured face conveyors, trapped rail transport systems, and rope haulages. In 1987 it made a pre-tax profit of £1.1m.

The purchase will give NEI new links and opportunities in European and overseas markets as it inclndes Becorit's 15.1 per cent stake in Becker Prunte, a West German mining equipment company, which is a major shareholder in Klockner Becorit, the roof supports maker.

Welpac advances to £545,271

Welpac, USM-quoted wholesaler of prepacked hardware and DIY products, achieved a 35 per cent rise to £545,271 in pre-tax profits for the six months to July 31. The advance was scored on turnover up from £4.59m to £5.29m. Earnings per 7p share rose 26 per cent from 1.07p to 1.35p.

Interest received was almost unchanged at £12,435, but interest payable was reduced to £2,891 (£8,976). Tbe directors said they continued to explore opportunities in line with the strategy of expansion through acquisition.

Volex 43% up at £4m midway

Volex Group lifted its halftime profit 43 per cent and earnings 31.5 per cent on the back of sound growth in its four core businesses.

In the six months ended September 30 1988 the businesses – automobile wiring systems, electrical wiring accessories and components, moulded plugs and connectors, and specialist communication cables – produced turnover 28 per cent ahead to £47.94m (£37.3m) and a pre-tax profit of £4.08m (£2.82m).

Earnings were 20p (15.2p) and the interim dividend is raised from 4p to 6p, partly to reduce disparity.

Further satisfactory results were expected in the second half.

For the year ended March 31 1988 the group made £6.57m.

The directors said the growth justified the capital expenditure of recent years, and the programme continued at a level similar to last year.

Richards Group's future direction

Richards Group, Leicester-based mechanical engineer and ironfounder, is now clear as to its future direction. It proposes to expand through the acquisition of Steel Support Systems for a maximum £4.83m, and is examining other opportunities.

Following completion the vendors, Mr J L Fergus and Mr T P G Foley, will hold 40.3 per cent of the enlarged capital which they will retain for at least two years, save for the right to dispose of up to 10 per cent each of their respective holdings through the company's stockbrokers. They will join the board with divisional responsibilities. The Takeover Panel has waived the requirement for a general offer for Richards.

Initial consideration for Steel Support is £3.6m in 3.36m shares and £157,500 cash; there is a further profit-related payment of up to £1.23m. Richards is also selling surplus land at Leicester, for £1.75m cash.

Because of a better performance by the engineering subsidiary, where sales of foundry equipment was a record, Richards returned to profit in the half year ended July 2 1988. On turnover of £4.52m (£4m) the pre-tax balance £20,000 (loss £203,000 after exceptionals).

Owen & Robinson rises sharply

Old gold bnying and pawnbroking are expected to make a major contribution to the present year results of Owen & Robinson, jewellery retailer.

Owen announced pre-tax profits for the year to the end of May up 2½ times to £358,000 (£138,000) on turnover £4.6m higher at £9.61m. Earnings per 5p share were 12.69p (4.94p) and a final payment of 1p (0.5p) is proposed for a total of 1.5p (0.75p).

The 1987/8 results were boosted by the inclusion of Russell Group.

The board is proposing to subdivide the 5p shares into five 1p shares and has decided to change the year end to January 31 to bring it into line with other retail groups.

UK COMPANY NEWS

Parkland climbs 21% but warns on future trading

By Alice Rawsthorn

PARKLAND TEXTILE (Holdings), wool textile group, yesterday announced a 21 per ceot increase in pre-tax profits to £1.37m in the six months to September 2, but warned that trading may become more competitive in the New Year.

Mr John Hanson, managing director, said that the uncertein outlook for consumer spending could affect demand for wool textiles. He was confident, however, that Parkland would continue to benefit from its receot restructuring and investment programme.

Sales slipped to £29.33m (£31.11m) although most of the decline was attributable to the first half being two weeks shorter, at 26 weeks, than last year.

Mr Hansoo said that Parkland also lost sales because of its decision to concentrate on "quality, oot quantity" by eradicating less profitable areas of activity. It had, however, improved profitability through increased efficiency and better stock control.

Parkland paid £78,000 (£216,000) in interest and should have surplus cash by the year end. Earnings per share rose to 12.1p (10p) and the interim dividend is set at 2p (1.8p).

The slump in the East Midlands knitwear industry drained demand for Knoll Spinning's yarns, although it benefited from strong exports and the buoyancy of the Scottish industry. The fabric division saw sales fall slightly because of its withdrawal from less profitable parts of women's wear fabrics.

Parkland has sold its women's and children's wear businesses and the cost of discontinuing these activities was expressed as an extraordinary item of £166,000. The remaining men's wear business had record order books in the first half and continued to benefit from strong demand.

Yorkshire Computer Services, a new colour computer distribution venture, was now trading profitably. Parkland has also invested in Ottoman Pacific, a joint venture which sources textiles in Turkey and the Far East.

● COMMENT

It is now two years since the Hansoo Brothers took control of Parkland and the task of restructuring is almost completed. Unwanted areas of activity have disappeared. The management team is concentrating on improving financial controls and modernising production plants. The benefits of this strategy are already apparent in these interims. The impact of higher interest rates and economic uncertainty could cast a cloud over consumer spending. But Parkland's remaining businesses seem relatively resilient and it can count on further efficiency gains to tide it through competitive conditions in the New Year. The City expects pre-tax profits of £2.7m which leaves the A shares, at 178p, with a little room to rise on a prospective p/e of 7.5.

Acquisition helps Unit Group to £0.6m

UNIT GROUP, Third Market manufacturer of wooden pallets and volume producer of cable reels and drums, raised pre-tax profits from £360,000 to £553,000 in the six months to September 30. Turnover rose by 51 per cent to £12.21m.

Mr Philip Davies, chairman, said the acquisition of Tilgate Pallets had contributed towards the significant increase in profits. Turnover and profits in the cable reel and drums division suffered from cheap imports and a downturn in demand.

The interim dividend is raised to 2.5p (1.25p). Earnings were 9.8p (3.2p). The directors intend to propose a final of 5p.

"LEGAL MUGGING" SENDS CITY REELING

BY DAWN RAID OUR CITY CORRESPONDENT

The financial market has been plunged into chaos following a vicious takeover battle.

Both Cadbury and Philips have been snatched from the helpless Morris Denton frivolous tycoon and furious MP (Vegetarian Diner Party).

At 3.30pm the attack started when Vanessa Winter-Jooes (John Craven for President Party) made a hostile bid for Cadbury.

"Wake up Dentnn!" warned Timothy Gorb former teacher and now MP (Invite Red Ken to your Party). "If you want to survive you've got to stay one step ahead of these students of Thatcherism."

Denton's vulnerable position was a red flag to other bullish marketeers.

Puodits struggled in the stampede to prise Philips away from Deoton.

"Why is everyone stripping my assets," he wailed while nervously consuming another stuffed tomato as is his habit.

"I warned you these people are after just one thing — success," informed Gorb the somewhat left of centre anarchist who now makes up the one Government opposition.

Insider dealers believe it was Denton's last plea to the Prime Minister that caused his final downfall. "I only want to see fair play and a fair share for all; not legal mugging."

This prompted PM Walter 'Bruiser' Golightly to joyfully raise Denton's taxes to an unprecedented level and successfully takeover Philips.

As Deotoo's SOS was heard above the uproar 'Bruiser' remarked "Crisis? What crisis? I've never had it so good!"

Certainly the players find their business and political talents pushed to the limits. After all, the game Polecooomy is definitely not for the meek.

POLECONOMY
THE GAME OF THE UNITED KINGDOM

Wilshaw ahead to £700,000 at midway

By Clare Pearson

WILSHAW, fledgling industrial holding company which has made four acquisitions since returning to the market a year ago, yesterday announced pre-tax profits of £701,000 for the six months to end-September.

This compared with £319,000 in the 1987 first half, restated to include results of Bsncs Equipment and Parts (Bepco), the agricultural machinery distributor bought for £2m in July. Turnover rose to £7.42m (£5.64m).

The shares, which were above 30p prior to a two-for-eleven rights issue at 25p in August, nearly of half which was left with the underwriters, closed 1p down at 24p.

Mr Peter Reynolds, chief executive, said that although further issues of shares were ruled out at the moment, Wilshaw, which has cash resources of about £1m and a £2.5m banking facility, continued to look for acquisitions.

There is no interim dividend. Earnings per share came out at 0.73p (0.58p). The tax charge was 10 percentage points lower at 36.7 per cent due to carried-forward losses in Powdrex, the steel powder supplier bought for £650,000 in shares in February.

Analysts expect Wilshaw to make about £1.5m in the full-year. Powdrex, which lifted pre-tax profits by about 100 per cent to over £100,000 in the half-year as a result of increases in capacity, is expected to have to start buying in material again before the year-end.

The other interests are Castal, a small castings company previously owned by Mr Reynolds, and FC Precast, a structural concrete maker acquired when Wilshaw returned to the market after a four-year suspension in October last year.

Medirace launches £3m share placing

Medirace, a Third Market medical research company, has launched a £3m share placing to fnod continued research and development of new products.

The company, which was set up to research into treatment for Aids and cancer, is to place 3m new ordinary shares at 100p each.

The group said the proceeds of the placing would make additional working capital available to Medirace and Cambridge Life Sciences, for which the Third Market company is making an agreed bid. The offer values CLS at about £4.12m.

City of London PR at £376,000

Profits before tax of the City of London PR Group advanced from £265,000 to £376,000 for the six months ended September 30 1988 and shareholders are to receive a maiden interim dividend of 0.75p per 10p share.

Turnover improved from £502,000 to £627,000. The group came to the USM in July and provides specialist investor and press relations services for UK and overseas companies.

Currently, the group was considering setting up a European division. It was also considering suitable acquisitions.

First half earnings emerged 0.6p higher at 3.5p.

Control Securities hits £8.5m and plans build-up of portfolio

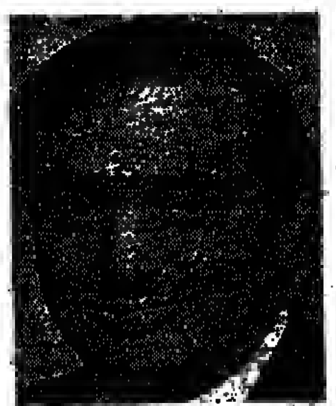
By Vanessa Houlder

CONTROL Securities, a property and leisure group, yesterday announced a more than five-fold increase in pre-tax profits to £8.5m for the six months to September 30. Turnover increased from £8.5m to £56.2m.

Mr Nazmo Virani, chairman, described the results as extremely satisfying, especially when compared with the company's market capitalisation of just £8m when he moved into the company three years ago.

He expectsd continued emphasis on building and upgrading the portfolio and steady progress in profits and earnings per share.

Rental income accounted for nearly all the £7m profit attributed to property. The value of the portfolio expanded from £225m to £400m and reuts increased by an average of 20 per cent.



Nazmu Virani – expecting steady progress in profits

After a series of acquisitions of pubs and hotels, the leisure division had expanded from a very low base and contributed £1.5m to profits. Mr Virani said that trading was very strong.

Financing costs increased from £652,000 to £3m. Gearing stood at 35 per cent and interest cover increased from 3.3 times to 5.2 times.

The company said it had considerable unutilised facilities and an enlarged capital base that would allow it to take advantage of investment opportunities as they arose.

Projected capital allowances on proposed investments in properties in Enterprise Zones kept the tax charge down to £395,000 (£250,000).

Earnings per share more than doubled to 2.8p (1.2p). An interim dividend of 0.375p is being paid.

Piccadilly Radio up 60%

By Fiona Thompson

A BOOST in advertising revenue resulted in Piccadilly Radio, IBA contractor for Greater Manchester, yesterday reporting an 60 per cent increase in pre-tax profits for the year to September 30. The advance, from £765,000 to £1.23m, was made on turnover up from £6.12m to £9.39m.

Earnings per share increased by 50 per cent from 4.9p to 7.36p. A final dividend of 2.25p is recommended, making 3.25p (2.25p) for the year.

While stressing that the current year had started satisfactorily, Mr Colin Walters, chief executive of the USM-quoted company, warned that the substantial increases in advertising revenue seen in the past year may not be repeated in 1989. That said, Piccadilly in September launched a new radio station on its FM frequency, Key 103, and Mr Walters said he believed the operation of two stations in the locrative Greater Manchester area would "yield substantial benefits."

The costs of launching the new np-market station are shown as an exceptional debit of £214,000.

The IBA decision to zero rate Secondary Rental contributed to the boost in pre-tax profits. Last year Piccadilly's liability was £102,911.

The latest independent audience survay, prior to the launch of Key 103, gave Piccadilly 37 per cent of the adult listening audience in the area, below Radio 1's 40-plus per cent but ahead of BBC Radio Manchester's 18 per cent, according to Mr Walters. The 37 per cent represents over 1m listeners, each tuning in for an average of 12.5 hours a week.

Coutributions to turnover came from subsidiaries, PPM Radio Waves, which produces network programmes, Piccadilly Squire which sells and hires disco sound and light equipment, and Piccadilly AV, which sells and hires audio-visual equipment.

The tax charge rose from £249,000 to £442,000.

Priest Marians advances to £8.9m

By Paul Cheeseright, Property Correspondent

Priest Marians Holdings, property group the main asset of which is now the Langham Estate, north of Oxford Street in central London, has announced a sharp increase in annual profits and net assets.

For the year to September, pre-tax profits were £8.9m compared with £4.3m for the seven months to September 1987 following a change in the financial year-end.

The fully-diluted net asset value per share at the end of the period was 483p, compared with 271p at the end of September 1987.

A single final payment of 3.3p is proposed. Payment for the seven months was 1.5p.

This is the first set of figures since the purchase of the Langham Estate last February for £88m changed the shape of the company. Since theu Priest Marians has been rationalising other parts of its portfolio and selling investment properties in order to reduce the borrowings following the purchase.

Such sales realised capital surpluses in the last financial year of £9.8m. But the interest bill was £9.26m, against £2.29m.

Purchase of the Langham Estate, however, had an immediate effect on the flow of income from investment properties which climbed to from £961,000 £4.7m.

Since the year end Priest has sold 48 Leicester Square to Stancia for £55m and the profits from this are being used to reduce borrowings further

Wentworth expands with £1.6m Belgian purchase

By Clay Harris

WENTWORTH International Group, USM-quoted packaging company, is to make its first move into continental Europe with the acquisition of Edwards, a Belgian producer of corrugated board and point-of-sale display units.

Wentworth is to pay an initial BFr 103.5m (£1.6m) for the Edwards business and another BFr 66.5m for its freehold property about six miles from the centre of Brussels.

The deal is to be financed by the issue of 8.22m shares at 40p, raising a net £400,000 over acquisition costs.

Wentworth also disclosed plans to sell its three US oil and gas wells, a small part of the business but one which had raised qnestions about the group's future direction. The disposal may raise up to £2m.

Mr Haque Khan, chairman, said Weotworth planned to focus on creating a European packaging group. After tbe Edwards acquisition, packaging would account for 60 per cent of group sales, with plastic film for the balance.

Edwards has 60 per cent of the Belgian market for point-of-sale displays and is moving into neighbouring countries. Its design facility would be used by TS Productions, Wentworth's Kent-based carton subsidiary, to offer these units to UK customers.

Edwards reported operating profits of £183,000 on sales of £2.4m in the nine months to September 30.

The majority of Wentworth's new shares has been conditionally placed, but will be offered to shareholders on the basis of three for every two ordinary or convertible shares held. It has forecast a final dividend of 1.9p (1.75p) for the year to March 1989.

De Morgan up to £1.13m

INTERIM PROFITS of the de Morgan Group, a specialist commercial property adviser which graduated to the main market earlier this year following a spell on the USM, rose from £517,000 to £1.13m pre-tax. Turnover doubled to £2.18m.

The interim divideud is being stepped up from 0.65p to 1.25p from earnings of 4.35p (2.76p) per 5p share.

Mr David McWilliam, chairman, said the established businesses had recorded further outstanding gains while the new, or more recently acquired subsidiaries – Woolgate Property Finance, de Morgan Retail and the Retail Group – had reported strong activity in their specialised markets.

He added that the gronp's businesses had cootinued to enjoy strong demand since the opening of the second half.

Tax for the first half (to October 6) took £405,000 (£191,000). The £140,000 cost of obtaining a full listing was taken below the line as an extraordinary item.

Wace expands pre-press services side

By Andrew Hill

Wace Group is adding Lithospeed Group to its stable of pre-press services companies, for an initial £7.11m, to be funded by a vendor placing of shares.

Wace, the largest pre-press company in ths fragmented world market, is to issue 2.39m shares to the vendors of Lithospeed, the biggest UK pre-press group servicing the magazine publishing market.

About 1.36m of the new shares will be placed with institutions at 295p each, providing the vendors with about £4m in cash. Further profit-related payments will be made if Lithospeed's pre-tax profits in the year to the end of last September exceed £800,000 before tax.

Lithospeed's clients include Elle Magazine, Options, The Sunday Times, The Daily Telegraph and The Observer.

In the year to September 30 1987, Lithospeed made £390,000 before tax on sales of £3.8m. Net assets of the three companies which make up the company stood at £398,000.

● Ms Jayne Wright has sold 2m Wace shares at 295p each which were placed with institutions. She now holds 1.06m (2.6 per cent).

Resort Hotels acquisitions and £8m rights

By Vanessa Houlder

The USM quoted Resort Hotels is expanding its coverage in the south west of England with the acquisition of two hotels for £3.7m. The purchases and their redevelopment will be financed by a ooe-for-one rights at 16p to raise £8.4m.

Resort Hotels is buying The Grange Hotel near Bristol and Bowden Hall Hotel near Gloucester. The company plans to improve their facilities and increase the number of rooms in the hotels from 58 to 114.

These are the first acquisitions to be made by the company which in addition to owning hotels, acte as a hotel manager for a network of Business Expansion Scheme companies. The company said the purchase marked the beginning of an expansion programme now that all its BES-funded satellite companies are virtually fully-invested.

Shani tops prospectus forecast with £2.2m

IN ITS first set of results since joining the USM in May of this year, Shani Group announced pre-tax profits of £2.22m for the year ended July 31 1988, some £224,000 more than forecast at the time of flotation.

Mr Martin Hollis, chairman, said the group, which produces ladies' and children'e fashionwear, had achieved the result from turnover ahead of budget at £14.06m. After tax of £830,000 earnings per 10p share were 10.4p.

It is ths intention of the directors to adopt a progressive dividend policy and they therefore propose a final of 1.6p, making 1.61p for the year. This represented an increase of 14 per cent above that indicated in the prospectus, he said.

The current year had started well, said Mr Hollis, and he was confident that the group's existing business would enable it to achieve another successful year.

Rexmore up to £846,000

Turnover and profits of all trading divisions at Rexmore, upholstery, textile and timber supplier, exceeded budgets in the six months to October 1.

Announcing pre-tax profits up 25 per cent to £846,000 on turnover of £28.14m (£23.43m), Mr Abraham Rosenblatt, chairman, said that early indications for the third quarter showed demand continuing at a satisfactory level.

Earnings per share worked through at 3.13p, up from 2.71p last time, and the interim dividend is lifted to from 0.55p to 0.7p.

CML Microsystems makes headway

Increased sales coupled with firm market conditions enabled CML Microsysteme, tbe USM-quoted integrated circuit manufacturer, to lift taxable profits from £1.13m to £1.49m in the six months to end-September.

Mr George Gurry, chairman, said plans to expand operational facilities in both the UK and the US proceeded on course and expenditure on developing the product range and markets continued at significant levels.

Turnover expanded 32 per cent to £5.31m. After tax of £545,000 (£429,000) and minorities £8,000 (£1,000), earnings per 5p share rose to 5.5p (4.1p).

City Gate in line with forecast

Property developer City Gate Estates made a pre-tax profit of £534,000 in the half year ended September 30 1988, mocb in line with the forecast in the June USM flotation.

The company already said that profits this year would arise mainly in the second half because of timing of developments.

The opening six months of 1987-88 produced £1.9m and the full year £2.04m.

The company has declared an interim dividend of 3.375p from earnings of 5.9p (39.6p).

Lower borrowing costs help UPL

A cut in interest charges enabled UPL Group to lift its pre-tax profit by £10,000 to £158,000 in the half-year to July 31.

This importer, distributor and manufacturer of food products raised turnover from £4.25m to £7.21m, but operating profit slipped to £207,000 (£213,000). Interest charges took £49,000 (£65,000).

After tax of £40,000 (£62,000), earnings fell to 2.71p (2.85p). A maideo interim dividend of 1p is being paid.

CONTRACTS & TENDERS

TECHNOLOGY

Prism to combat a stuffy image

THE INLAND Revenue is trying to shake off its stuffy image in preparation for the so-called demographic time bomb – the falling number of young people, and therefore potential recruits, leaving schools and colleges in the 1990s.

The UK Government department has introduced a computer system to help deal with this potential shortage by making more effective use of the staff it already has.

"The new system will help us to monitor our equal opportunities policy for women and ethnic minorities, who are going to be a greater proportion of the skilled workforce in the 1990s," says Caroline Hubbard, project director in the Inland Revenue personnel department. "If we can't prove that they will have equal opportunity for promotion, then wa won't be able to attract them."

The system, which went live this month at the Inland Revenue computer centre in Worthing, on the UK's south coast, is called Prism (personnel information for management). It is based on a human resource package from software house Cullinet, but the Inland Revenne has developed an extra piece of software for business management which has been added to the basic package.

Prism allows the personnel department to monitor all the promotions and moves within tha department so that it can work out which ethnic or gender groups are not being promoted. An investigation can then be instigated to discover the reason.

The difference between Prism and other existing government personnel systems is that it is on-line, so that the 15,000 personnel records can be retrieved and altered within seconds. This will mean that the records are always up to date, a considerable improvement on the previous system.

In addition, the computer can carry information about the performance of personnel for the last six years. And it contains a list of preferred work locations for all Inland Revenue employees.

Della Bradshaw

Martyn Levett, TSB branch manager at Ilford

Countdown to user-friendly banking

Alan Cane reports on the TSB's office automation project

Phil Waddle, manager of the TSB's branch in Poole, Dorset in the UK, is frustrated and impatient. He has seen and touched the future of branch banking and had it snatched away from him.

Now he is waiting for the TSB's largest technological venture, its £120m Back Office Project, to catch up with him and give him access again to the battery of electronic aids which he knows will make his working life, and that of his staff, more satisfying and productive.

Waddle, a 30-year-old high flyer, used to manage TSB's Tiverton branch in Devon. That branch and the one at Ilford, Essex, acted as guinea pigs for the Back Office Project; TSB's ambitious scheme to integrate all its business activities via the computer.

The system sweeps away paper files and filing cabinets and replaces them with video screens and desk-top terminals, freeing staff from routine paper shuffling to concentrate on serving the customer.

Following tha successful pilot schemes at Tiverton and Ilford, the TSB has been working with Unisys, the US computer company, to install the system at its 1,240 branches in England, 280 in Scotland and 11 in the Channel Islands.

The first two phases have seen the introduction of workstations with basic office functions, such as word processing. TSB and Unisys are now in the early stages of "rolling out" (installing across every branch in turn) phase three, which involves placing "counselling workstations" in open-plan offices. These workstations enable bank staff to call up details of a customer's record instantly.

According to Harry Reid, the bank's general manager with responsibility for technology, about 200 branches will have completed this phase by the end of this year.

Waddle has been moved to Poole because it is one of the branches designated, under the TSB's advanced business strategy, to take on commercial lending in addition to the traditional personal financial services. He will only be without his technological armoury temporarily: Poole is scheduled to undergo phase three early in tha new year.

Beyond that, the final phase of the system will involve advanced communications, artificial intelligence (human-like reasoning) and relational database technology – where different sets of records can be interrogated easily. This should be in place by the end of 1991.

Reid believes that no other financial institution has attempted computerisation on such a scale in such an integrated fashion. There are no technicians in TSB branches. All the software for the new system is transmitted over telephone lines from the bank's computer centre at Wythenshawe, Manchester. Other banks are posting floppy disks to their branches to keep them up to date. "We are light years ahead of that," Reid says.

The original aim was to do away with all the files, ledgers, customer records and reports that are the staple of business life. These were replaced with computarised records, easily retrieved for display on a computer screen.

The ultimate goal is to implement the modern concept of open-plan banking halls, with machinery providing most of the deposit and withdrawal services. Financial counselling will be done more professionally and more informally by staff freed from counter duty behind security screens.

As the TSB realised that automation on this scale would profoundly change the way the bank did business, the original "back office" appellation gave way to the "office automation project".

For the bank manager, the system has replaced hand-written notes, used when making decisions about loans, overdrafts and so on, with a computerised version available on a video screen at the touch of a button. Martyn Levett, branch manager at Ilford, venue of the other pilot scheme, recalls that preparing for an interview with a customer in his third-floor office used to involve him and his staff in a great deal of paper redistribution.

Levett says that staff were spending 50 per cent of their time on paperwork and only 19 per cent dealing directly with customers. Now that is being reversed. Every morning, instead of wading through yards of computer printout, he is able to inspect quickly standard reports, on such matters as overdrawn accounts and loan arrears, using his desk-top workstation.

"I am anxious to use the system in ways that will save us time, rather than for new activities at present," he says.

Putting computer power at the elbow of the branch manager is nothing new in banking. National Westminster pioneered the idea in the UK in 1982. What makes tbe TSB project different is tbe scale and complexity. Both TSB and Unisys say that they are working at the limits of the technology. While there have been a number of technological problems, nooe bas affected the planned timetable for implementation.

TSB has benefited from the fact that it has long been a technological pioneer, operating the only on-line, real-time banking system in the UK. That means the branches are always connected to the central computer system and changes in accounts are recorded as tbey are made. Furthermore, the bank has always operated from a single, master database of customer information.

Alastair Taylor, director and general manager of Unisys's financial systems division, explains that the system is based on his company's financial systems architecture, which uses a family of interconnectable workstations and terminals.

It is designed to avoid the traditional pattern involving a branch controller, usually a minicomputer, linked to a cluster of terminals. To back-up such a system, Taylor says, a second, expensive minicomputer would be needed in each branch. The TSB system involves clustars of smaller microcomputers, each of which can substitute for a failed machine, achieving resilience efficiently and cost-effectively.

Levett and Waddle say that their systems are unusually reliable. They also say that they help to convey an atmosphere of professionalism. "Customers ars impressed when you turn the screen to face them and they can see the figures changing before their eyes," Levett says.

The TSB has been monitoring the project using an organisation and methods (O&M) approach which estimates benefits in terms of time saved. Reid says that some gains have been recorded even at this stage of the project. For example, a number of jobs have been simplified, making it possible for the bank to keep a cap on the number it needs to recruit this year.

A current way to test food

FINDING out whether food or drink is unfit for human consumption because of bacterial growth is traditionally a matter of taking a sample to a laboratory and growing a culture, which can taka two days.

An instrument developed by the Paul de la Pena Group, of Pershore in the UK, allows a conclusion to be drawn in five minutes. The user simply puts a sample of the food, in liquidised form, into a thumb-sized measuring cell, places it in a small desk-top instrument and closes the lid. A number appears on a liquid crystal display indicating the bacterial concentration.

The company believes the instrument, called Biocheck, could end the waste of millions of pounds worth of food which is thrown away when it reaches a "sell by" date. It has spent £1m over four years developing tha instrument with Cranfield Institute of Technology in Bedfordshire. Negotiations are under way with another company to make and market the product.

Biocheck makes use of the fact that bacteria, when oxidising food to produce energy, generate alectrons which normally combina with oxygen. A "mediating chemical" in the instrument intercepts some of these electrons.

At one of the cell's electrodes, the chemical gives up the electrons, which then form an electrical current in an axternal circuit to give a reading on the display. The more bacteria, the greater the current and the higher the reading.

Although use of Biocheck in the public health domain will need appropriate Governmant approvals, the company believes the instrument will find immediate commercial use in the food and agriculture world.

Le Bleep for instant messages

TELEPHONE messages can be passed on immediately to people who are away from their offices with a new British Telecom facility, which combines its messaging service with its paging network. The new service is called Le Bleep.

Subscribers are allocated a separate telephone number to be used by callers for connection to the computerised message centre. They ring this number, record a messaga and the system automatically alerts the subscriber's pager.

The subscriber can listen to tha message by dialling a confidential access number from any telephone. A useful aspect is that the message recording number can be given to as many, or as few, peopla as the subscriber wishes.

WORTH WATCHING

Edited by Geoffrey Charlish

The Unix battle intensifies

FIGURES from Wharton Information Systems, the UK market research company, shed light on the intensity with which the battle is being fought to becoma the leading supplier of tha Unix computer operating system.

Unix, which is computer "housekeeping" software that allows several users to do different jobs simultaneously, has suddenly become very popular.

According to Wharton, no less than 21 per cent of the personal computers shipped to dealers in the UK in mid-1988 were Unix machines, and if direct sales by the computer companies are included, the figure becomes 33 per cent. Early this year, tha total was only five per cent.

The three contenders in the Unix battle are: a 15-company group led by AT&T, IBM and Microsoft.

Milking the air for nitrogen

KALDAIR Gas Services, part of British Petroleum, is encouraging industrial nitrogen users to extract the gas from tha air, rather than have it delivered in bulk as a liquid.

Nitrogan is often used at relatively low purity in processes that need an inert atmosphere, as at Industrial Adheaives of Chesham, which has just switched to the Kaldair system.

The system uses two carbon-based "oxygen sponges", known as molecular sieves. Air at pressure is blown over a porous carbon bed, which absorbs much of the oxygen while the nitrogen passes out of the system into a storage chamber.

When the first bed is saturated with oxygan (this takes a minute or two), tha airflow is switched to the second bed while the first is exposed to the atmosphere and releases its oxygen. The beds are used alternately.

Some 65 cu m of nitrogen an hour are being produced at Industrial Adhesives, at 97 per cent purity. Tha company saya it has made savings through not having to buy and store gas.

According to Kaldair, the system also solves the problem of deliveriea of liquid nitrogan being disrupted by bad weather or industrial action, which can shut down continuous processes.

Fast access to all the originals

A SMALL UK computing company, Realstream, is offering an electronic system that will store and manage all tha documents of even the largast organisation.

Called The Origin, the system uses as many 12-inch optical discs as necessary, each able to hold a million sheets of A4.

Although other such systems exist, it is claimed that Tha Origin differs in terms of its indexing and access software. Provided the user knows a few words that are in the document, it can be screened in less than five seconds. Text or a drawing can be worked on immediately from the keyboard.

If disk extraction from a "juke box" is necessary, the access time can be 20 seconds. Photographs can also be stored.

CONTACTS: Paul de la Pena Group: UK, 0386 552311. BT Mobile Communications: London, 388 4222. Wharton Information Systems: London, 891 6197. Kaldair: UK, 0707 328282. Realstream: UK, 0305 251071.

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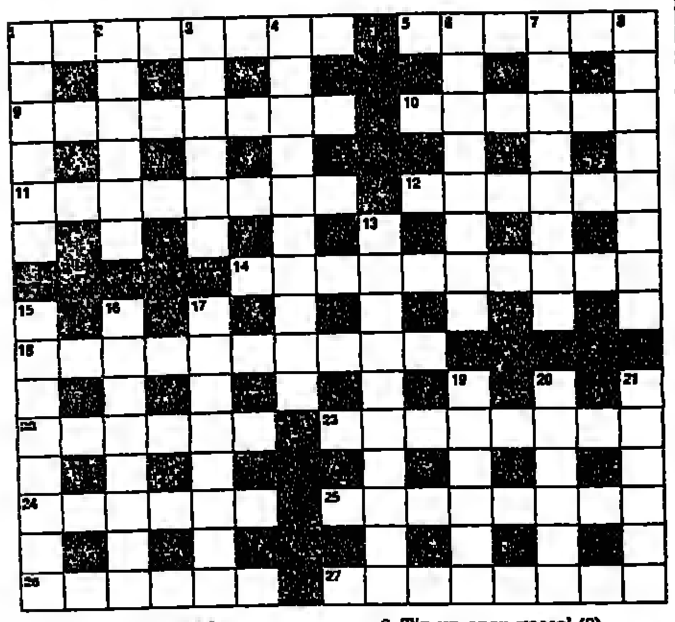
CROSSWORD

No. 6,792 Set by PROTEUS



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Solution to Puzzle No.6,791

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ✠ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Swiss Life Pen Tst Man Co Ltd (1000)H						
99-101 London Rd, Sevenoaks 0732 450161						
Equity Dist	5	325.6	330.1xd	349.3	-0.9	3.19
Equity Acc	5	423.0	428.8	453.8	-1.2	3.19
Fixed Int Dist	5	114.5	115.9xd	120.1	+0.2	8.45
Fixed Int Acc	5	210.8	213.7	221.5	+0.3	8.45
TSB Unit Trusts (y) (1000)F						
Charlton Pl, Andover, Hants. SP10 1RE 0264 63434						
TSB American	6	91.97	92.79	98.71	+0.11	2.15
Do Accum	6	98.71	99.58	105.94	+0.11	2.15
TSB Brit Growth	6	53.99	53.99	57.44	-0.23	1.35
Do Accum	6	54.50	56.50	60.11	-0.23	1.35
TSB European	6	51.60	51.60	54.89	-0.01	1.14
Do Accum	6	53.00	53.00	56.38	-0.01	1.14
TSB Extra Income	6	146.19	149.46	159.00	-0.48	5.83
Do Accum	6	188.70	192.92	205.25	-0.65	5.83
TSB Smaller Cos	6	53.79	53.79	57.22	+0.01	1.55
Do Accum	6	54.75	54.75	58.24	+0.01	1.55
TSB General	6	176.96	176.96	188.26	-0.63	3.45
Do Accum	6	306.31	306.31	325.86	-1.11	3.45
TSB Premier Income	5	47.41	47.87xd	49.86	+0.07	8.88
Do Accum	5	72.78	73.49xd	76.55	+0.12	8.88
TSB Income	6	268.00	268.00	285.11	-0.67	5.00
Do Accum	6	447.96	447.96	476.56	-1.12	5.00
TSB Pacific	6	208.80	212.01	225.54	+0.61	0.44
Do Accum	6	217.09	220.42	234.49	+0.63	0.44
TSB International	6	317.43	317.43xd	337.69	-1.59	0.88
Do Accum	6	401.11	401.11xd	426.71	-1.75	0.88
TSB Nat Resources	6	57.51	58.69xd	62.44	-0.40	1.41
Do Accum	6	60.96	62.21xd	66.18	-0.40	1.41
TSB Spcld Opps	6	79.55	79.55	84.63	-0.86	2.73
Do Accum	6	90.83	90.83	96.63	-0.87	2.73
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks. Admin: 0296 394000 Dealing: 01-379 0860						
American Eagle	5	57.83	57.83	61.79	-0.10	3.38
Australia	5	7.180	7.180	7.667	-0.025	0.10
Commodity	5	72.95	72.93xd	78.58	-0.39	0.63
Convertible	5	141.3	141.3xd	152.3	+0.5	5.02
Equity	5	152.5	152.5	163.8	-2.1	3.19
Euro Spec Sits	5	80.77	80.77	86.85	-0.58	1.57
Financial	5	30.04	30.04	32.40	-0.10	2.10
Global Opps Inc	5	54.44	54.44xd	58.65	-0.01	0.64
Global Opps Acc	5	54.85	54.85	59.00	-0.01	0.64
Gold Income	5	44.75	44.75xd	48.09	-0.39	0.00
Gold Acc	5	82.42	82.42	88.58	-0.71	0.00
Income	5	103.6	104.2	112.1	+0.1	4.53
Japan	5	126.3	126.3	135.9	+0.3	0.00
Pacific Inc	5	112.8	112.8	121.6	+0.1	0.06
Pacific Acc	5	139.9	139.9	150.8	+0.1	0.06
Preference Share	5	24.37	24.52xd	26.49	+0.01	7.61
Special Sits	5	92.61	92.61	100.1	—	1.56
Technology	5	32.34	32.34	34.90	-0.20	2.17

	Bid Price	Offer Price	+ or -	Yield Gross
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Property Oct 31		211.95	—	5.79
Equity Oct 31		714.70	—	3.98
Fxd Int Sec Oct 31		100.70	—	9.90
* Available only to Local Authorities				
MIM Ltd				
Mngd Pens (Acc)	55.5	58.9	+0.2	0.80
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Nov 16	36.8	38.2	+0.0	2.48
Euro Expt Nov 16	41.7	43.7	+0.0	2.59
Fixed Int Ex Nov 16	49.5	51.9	+0.0	9.74
Japan Expt Nov 16	55.6	57.8xd	-0.0	0.84
Managed Ex Nov 17	38.4	39.9xd	+0.0	4.81
SE Asia Expt Nov 16	33.9	35.5	+0.0	2.15
Sm Cos Expt Nov 16	43.3	45.4xd	-0.0	2.9
UK Eqty Ex Nov 16	35.2	36.9	+0.0	4.5
New Court Property Fund Managers				
NC Property	191.5	209.3	—	—
Phillips & Drew Fund Management Ltd				
PDFM Small Co Fd(1/1D)	815.0	861.0	—	3.85
Do Accum	842.0	889.0	—	3.85
PDFM Int Expt Nov 17	119.3	121.2xd	—	2.60
J. Rothschild Fund Managers Ltd				
Intl Exempt	93.46	94.73xd	—	2.92

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
Investment Mngt M & G Inv Mngt Ltd				
AA Friendly Sy Nov 11	—	149.4	—	—
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	259.6	273.3	—	—
Equity Ser. 1	113.3	119.3	-0.5	—
Prop. Acc. Ser 2	387.7	408.2	—	—
Equity Ser 2	128.6	135.4	-0.7	—
Selective Acc	296.2	311.8	-0.6	—
Prop. Ser. 4	307.9	324.2	—	—
Equity Ser. 4	133.0	140.1	-0.5	—
Fixed Int. Ser. 4	218.4	230.0	+1.0	—

	Bid Price
Barclays Life Assur. Co Ltd	
Intnl Pns Accum	144.6
Gilt-edged Pns Accum	396.9
Money Pns Accum	204.3
Property Pns Accum	153.9
"500" Pens Accum	98.2
Income Pens Accum	97.8
Smaller Cos Pens Accum	99.7
Special Sits Pens Accum	93.3
Financial Pens Accum	94.2
Leisure Pens Accum	96.9
America Pens Accum	88.7
Australia Pens Accum	93.8
European Grth Pens Accum	97.9
Japan & Gen Pens Accum	102.8
Universal Tech Pens Accum	90.0
Pens Deposit Accum	
For prices of Initial Units	
Black Horse Life Ass. Co Ltd	
Mountbatten Hse, Chatham, Kent	
Life Funds	
The Managed Fund	
The Income Fund	444.90
The Extra Income Fund	414.20
The Wrldwd Growth Fd	299.90
The Balanced Fund	356.61
Smlr Co's & Rcvy Fd	542.30
The Int Technology Fd	287.70
The Nth Amer & Gen Fd	195.10
The Energy Int Fd	115.00
The Pacific Basin Fund	276.70
The German Growth Fund	106.40
The Japan Growth Fund	177.70
The UK Growth Fund	128.60
The Contl Eur Grwth Fd	67.71
Nth Amer S.C. & Rcvy	109.58
The Property Fund	260.50
The Fixed Interest Fd	214.00
The Cash Fund	193.20
The Managed Invest Fd	282.47
Pension Funds	
Managed Pen Fd	110.47
Fixed Int Pen Fd	102.40
Property Pen Fd	125.02
Cash Pen Fd	104.17
UK Equity Pen Fd	103.80
Nth Amer Pen Fd	88.80
European Pen Fd	105.08
Far East Pen Fd	97.44
British National Financial Services	
Ferrymount Road, Haywards Heath	
Managed	202.8
International	225.0

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or −	Yield Gross
NUAM Funds				
Managed Fund	54.2	57.0	+0.1	–
Stock Market Mngd Fund	51.7	54.4	+0.2	–
Equity Fund	55.8	58.7	+0.1	–
International Fund	48.1	50.6	+0.1	–
European Fund	49.3	51.9	−0.2	–
North American Fund	41.7	43.9	+0.1	–
Pacific Fund	60.6	63.8	+0.6	–
Property Fund	67.5	71.0	–	–
Fixed Interest Fund	52.5	55.3	–	–
Index Linked Sec Fund	53.3	56.1	−0.2	–
Deposit Fund	54.9	57.8	–	–
NUAM Retirement Plans				
Mixed Fund	57.0	60.9	+0.1	–
UK Ordinary Share Fd	64.9	68.3	+0.1	–
International Fund	49.4	52.0	+0.1	–
Property Fund	65.7	69.2	–	–
Fixed Interest Fund	57.1	60.1	+0.2	–
Index Linked Sec Fund	54.6	57.5	−0.2	–
Deposit Fund	59.1	62.2	–	–
NUAM (MF)				
Managed Fund	755.4	795.2	+1.5	–
Equity Fund	1506.7	1586.0	+2.8	–
Property Fund	425.0	447.4	+0.1	–
Fixed Interest Fund	391.9	412.6	+0.2	–
Deposit Fund	224.6	236.5	+0.1	–
International Fund	126.4	133.1	−0.4	–
Index Linked Sec Fund	54.0	56.9	−0.2	–

Norwich Union Life Insurance Soc.
PO Box 149, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or −	Yield Gross
Unitised Pensions				
With Profits Fd	108.26	115.96	+0.12	–
Managed Fd	116.01	122.96	−0.06	–
UK Equity Fd	120.14	126.46	−0.15	–
International Fd	117.23	123.40	+0.23	–
European Fd	112.76	118.69	−0.32	–
North American Fd	106.54	112.14	+1.49	–
Pacific Fd	116.19	122.30	+1.08	–
Property Fd	119.54	125.83	+0.02	–
Fixed Int Fd	101.12	106.44	+0.37	–
Intl Bond Fd	104.12	109.60	+0.16	–
Bldg Soc Dep Fd	103.19	108.62	+0.03	–
Pensionmaster & Unit-Linked Plus				
Fixed Interest Fund	284.5	299.5	−1.4	–
Index-Linked Sec Fund	155.5	163.7	−1.8	–
Ordinary Share Fund	468.4	493.0	−12.3	–
International Fund	126.1	132.7	−1.1	–

Providence Capital Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
European Initial		71.9	−0.2	–
Residential Prop Init		116.6	+0.7	–
Swiss Equities Initial		29.8	−2.3	–
Hong Kong Initial		41.6	−0.1	–
UK High Inc Eq Init		60.9	−0.6	–
Int Fixed Interest Init		49.9	+0.2	–
Int Managed Init		46.8	+0.1	–
HIP Managed Init		102.4	–	–
Broker Fund				
Towerhill Mngd Fd Acc	46.2	48.7	+0.3	–
High Performance	61.0	64.5	+0.3	–
YRA Executive Fd	76.8	81.0	−0.2	–
Investment Master		36.4	+0.1	–
H F Speculator Fd		112.2	+0.5	–
E High Inc Money Fd		103.3	–	–
E Global Growth Fd		103.3	–	–
PEP Accm IF		101.6	+0.1	–
AAFS Int Man Fund		99.4	+0.1	–
Individual Pension Funds				
UK Equity Acc	204.7	216.0	+2.5	–
UK Fixed Interest Acc	163.8	172.0	+0.2	–
Intl Equities Acc	161.6	170.5	−0.9	–
UK Managed Acc	150.4	158.6	+0.5	–
Property Acc	188.8	199.2	+0.1	–
Money Acc	115.5	121.9	+0.1	–
Special Market Acc	126.2	133.2	+0.9	–
Japan Equity Acc	226.6	239.1	+1.0	–
North American Acc	99.7	105.2	−0.4	–
Pacific Acc	130.4	137.6	+0.1	–
Technology Acc	127.8	134.9	+0.5	–
Natural Resources Acc	86.6	91.4	+0.8	–
European Acc	87.2	92.0	+0.4	–
Residential Prop Acc	123.6	130.4	+0.8	–
Swiss Equities Acc	29.8	31.5	−2.3	–
Hong Kong Acc	41.0	43.3	−0.1	–
UK High Inc Equ Acc	[illegible]	68.6	−0.3	–
Int Fixed Interest Acc	[illegible]	53.8	+0.1	–
Int Managed Acc	[illegible]	49.3	+0.2	–
Broker Fund				
Towerhill Mgd Pen Acc	38.8	40.9	−0.3	–
Group Pension Funds				
Equity Acc	609.0	627.9	+1.9	–
Fixed Interest Acc	456.0	470.2	–	–
Managed Acc	102.6	104.8	+0.1	–

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or −	Yield Gross
Unit Fund	909.3	955.0	+2.2	–

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

IoM AUTHORISED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	1988 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas 11½pc 1989	[illegible]	.....	11.52	11.74
[illegible]	[illegible]	Treas 9½pc Cnv 1989	[illegible]	[illegible]	9.58	11.62
[illegible]	[illegible]	Treas 3pc 1989	[illegible]		3.09	9.53
[illegible]	[illegible]	Treas 10½pc 1989	[illegible]		10.56	11.67
102	[illegible]	Exch 10pc 1989	[illegible]	[illegible]	10.11	11.69
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	[illegible]	11.05	11.52
[illegible]	[illegible]	Treas 5pc 1986-89	[illegible]	[illegible]	5.22	10.04
[illegible]	[illegible]	Exch 10½pc Cv '89	[illegible]	[illegible]	10.31	10.83
[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]	[illegible]	12.73	10.86
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	10.98	10.79
[illegible]	[illegible]	Exch 12½pc 1990	[illegible]	[illegible]	12.26	10.88
[illegible]	[illegible]	Treas 3pc 1990	[illegible]	[illegible]	3.27	9.23
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	[illegible]	[illegible]	8.55	10.74
[illegible]	[illegible]	Treas 8pc Cv 1990 ‡‡	[illegible]	[illegible]	8.15	9.20
[illegible]	[illegible]	Treas 10pc Cv 1990	[illegible]	[illegible]	10.12	10.67
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	.....	2.82	8.79
[illegible]	[illegible]	Treas 11¾pc 1991	[illegible]	[illegible]	11.54	10.74
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.32	10.12
[illegible]	[illegible]	Treas 3pc 1991	[illegible]	[illegible]	3.42	8.68
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	10.02	10.07
[illegible]	[illegible]	Exch 11pc 1991	[illegible]	[illegible]	10.87	10.52
[illegible]	[illegible]	Treas 8pc 1991	[illegible]	[illegible]	8.55	10.50
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	.....	12.00	10.35
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	.....	10.09	10.31
[illegible]	[illegible]	Treas 8pc 1992 ‡‡	[illegible]	.....	8.57	10.35
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	.....	[illegible]	10.33
[illegible]	[illegible]	Treas 3pc 1992	[illegible]	[illegible]	3.58	8.36
[illegible]	[illegible]	Exch 12¼pc '92	[illegible]	[illegible]	11.60	10.39
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	12.31	10.37
[illegible]	[illegible]	Treas 8¾pc 1993	[illegible]	[illegible]	8.86	10.27
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]	[illegible]	10.05	10.11
[illegible]	[illegible]	Treas 12½pc 1993‡‡	[illegible]	[illegible]	11.56	10.25

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS—Contd

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Politics a major factor

POLITICAL UNCERTAINTY was a major factor on the foreign exchanges yesterday. The dollar began steadily, but then weakened, with pessimism surrounding the currency partly a product of the political vacuum in Washington until Mr George Bush is sworn in as US President on January 20.

Mr Bush said yesterday that cutting the US budget deficit is a top priority, but his indication that he has no intention of raising taxes to achieve this weighed on the dollar in late European trading.

As Canada went to the polls, after a bitter election campaign dominated by the proposed free trade pact with the US, the Canadian dollar gained ground. Opinion polls suggested a narrow victory for the ruling Conservatives, but volatile swings in the fortunes of the leading parties during recent weeks kept the market cautious.

The Canadian dollar improved against its US counterpart, with the US currency opening at C$1.2160 in London and drifting down to C$1.2120, compared with C$1.2320 on Friday.

Reports of a row within the New Zealand Government over economic policy cast some doubts about the future of Mr David Lange, the Prime Minister, and depressed the New Zealand dollar.

After opening at 64.45 US cents in London the New Zealand currency fell to 64.40 cents. It recovered to 64.65 cents, as the US dollar weakened, but still finished below Friday's close of 64.95 cents.

Until Mr Bush reiterated his reluctance to raise taxes, it appeared that last week's intervention by central banks had succeeded in stemming downward pressure on the US dollar. There was no further support yesterday, and no obvious economic events are approaching to move the currency, but dealers questioned how long it would be before an attack was made on DM1.70 and Y120.

Trading is likely to be fairly thin this week, with Tokyo closed for a public holiday tomorrow, and US markets on holiday for Thanksgiving Day on Thursday.

The dollar fell to DM1.7270 from DM1.7350; to Y121.90 from Y122.55; to FFr5.9050 from FFr5.9300; and to SFr1.4525 from SFr1.4570.

On Bank of England figures the dollar's exchange rate index fell to 93.0 from 93.6.

Another largely political event adding to the general mood of uncertainty was the meeting of Opec ministers in Vienna.

Sterling had a weak early tone, but rallied without paying much attention to the news from Vienna.

The market was more concerned with the approach of the October UK trade figures. These will be published on Friday, and are awaited with some nervousness, after exceptional factors caused an unexpected improvement in September.

Sterling rose 80 points to $1.8245, and also improved to SFr2.6500 from SFr2.6475, but was unchanged at FFr10.7725, and fell to DM3.1500 from DM3.1525, and to Y222.50 from Y222.75.

According to the Bank of England the pound's index declined to 77.1 from 77.2.

£ IN NEW YORK

Nov.21	Latest	Previous Close
£ Spot	1.8243-1.8248	1.8150-1.8160
1 month	0.50-0.49pm	0.48-0.46pm
3 months	1.43-1.41pm	1.34-1.29pm
12 months	4.80-4.70pm	4.70-4.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.21	Previous
8.30 am	77.0	77.2
9.00 am	77.0	77.1
10.00 am	77.0	77.0
11.00 am	77.1	77.1
Noon	77.1	77.1
1.00 pm	77.1	77.2
2.00 pm	77.0	77.1
3.00 pm	77.0	77.1
4.00 pm	77.1	77.2

CURRENCY RATES

Nov.21	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.750182	0.657183
U.S Dollar	6.50	1.35918	1.19377
Canadian $	8.75	1.67696	1.44864
Austrian Sch.	4	16.6459	14.5784
Belgian Franc	7¾	49.5489	43.4145
Danish Krone	7½	9.13641	7.99828
Deutsche Mark	3½	2.36688	2.07215
Neth Guilder	4	2.66535	2.33657
French Franc	9½	8.08168	7.08087
Italian Lira	12½	1760.21	1540.44
Japanese Yen	2½	166.160	146.178
Norway Krone	8	8.97263	7.82936
Spanish Peseta	-	155.974	136.353
Swedish Krona	8½	8.26925	7.22591
Swiss Franc	3	1.98712	1.73992
Greek Drach.	20½	196.755	172.238
Irish Punt	-	N/A	0.775681

*All SDR rates are for Nov.18

CURRENCY MOVEMENTS

Nov.21	Bank of England Index	Morgan** Guaranty Changes %
Sterling	77.1	-15.4
U.S Dollar	93.0	-13.4
Canadian Dollar	82.9	-5.1
Austrian Schilling	136.7	+10.3
Belgian Franc	99.3	-5.4
Danish Krone	90.4	+0.5
Deutsche Mark	146.7	+22.0
Swiss Franc	169.7	+20.9
Guilder	134.9	+14.2
French Franc	69.6	-14.9
Lira	45.7	-20.4
Yen	253.7	+88.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100)**Rates are for Nov.18.

OTHER CURRENCIES

Nov.21	£	$
Argentina	23.0025-23.1605	12.6700-12.7500
Australia	2.1250-2.1270	1.1645-1.1655
Brazil	980.85-986.35	540.30-543.00
Finland	7.4745-7.4875	4.1170-4.1190
Greece	259.60-263.90	143.10-145.40
Hong Kong	14.1750-14.1885	7.8085-7.8105
Iran	122.75*	67.30*
Korea(Sth)	1248.30-1258.30	688.10-693.70
Kuwait	0.50790-0.59000	0.28000-0.28010
Luxembourg	66.10-66.20	36.20-36.30
Malaysia	4.8460-4.8580	2.6700-2.6730
Mexico	4146.60-4159.80	2284.00-2290.00
N. Zealand	2.8175-2.8225	1.5455-1.5480
Saudi Ar.	6.8065-6.8070	3.7500-3.7510
Singapore	3.5366-3.5420	1.9480-1.9500
S. Af (Cm)	4.3285-4.3410	2.3745-2.3775
S. Af (Fn)	6.8170-6.9465	3.7385-3.8095
Taiwan	50.95-51.20	28.05-28.15
U.A.E.	6.6640-6.6760	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4145	+2.25	+0.77	±1.5344
Danish Krone	7.85212	7.99828	+1.86	+0.38	±1.6404
German D-Mark	2.05853	2.07215	+0.66	-0.82	±1.0981
French Franc	6.90403	7.08087	+2.56	+1.08	±1.3674
Dutch Guilder	2.31943	2.33657	+0.74	-0.74	±1.5012
Irish Punt	0.768411	0.775681	+0.95	-0.53	±1.6684
Italian Lira	1483.58	1540.44	+3.83	+2.34	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Nov.21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is convertible francs. Financial franc 66.65-66.75. Six-month forward dollar 2.65-2.60cpm 12 month 4.72-4.62pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov.21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Nov.21	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 9¼-9⅛ per cent; three years 9⅜-9¼ per cent; four years 9½-9⅜ per cent; five years 9⅝-9½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.21	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.825	3.150	222.5	10.773	2.650	3.550	2343.	2.210	66.35
$	0.548	1	1.726	121.9	5.903	1.452	1.945	1284.	1.211	36.35
DM	0.317	0.579	1	70.63	3.420	0.841	1.127	743.8	0.702	21.06
YEN	4.494	8.202	14.16	1000.	48.42	11.91	15.96	10530	[illegible]	297.3
F Fr.	0.928	1.694	2.924	206.5	10.	2.460	3.295	2175	2.051	61.40
S Fr.	0.377	0.689	1.189	83.96	4.065	1	1.340	884.2	0.834	24.96
H Fl.	0.282	0.514	0.887	62.68	3.035	0.746	1	660.0	0.623	18.63
Lira	0.427	0.779	1.344	94.96	4.598	1.131	1.515	1000.	0.943	28.23
C $	0.452	0.826	1.425	100.7	4.875	1.199	1.606	1060	1	29.93
B Fr.	1.512	2.759	4.762	336.4	16.29	4.006	5.367	3542	3.341	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short sterling ends at low

TRADING WAS locked in a narrow range on Liffe yesterday in low volume. A steady performance by sterling helped limit losses in short sterling and provided some underlying support for long gilt futures, but doubts about the future of the dollar and US bonds created a rather nervous undertone.

Short sterling was also depressed by suggestions that while there is no hope of an early cut in UK bank base rates, there remains a chance that inflationary pressure, and a move towards higher rates in the US, could force base rates up.

March delivery short sterling opened weaker at 88.01, but this proved to be the day's high, with the contract closing at the low of 87.92, compared with 88.04 on Friday.

December long gilts also opened lower at 96-02, but closed slightly firmer at 96-05, against 96-03 previously.

US bond futures finished near the day's low, in line with weaker prices in Chicago, after Mr George Bush said he would not raise taxes to cut the US budget deficit.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE INDEX FUTURES OPTIONS

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

PHILADELPHIA SE £/$ OPTIONS

LONDON SE £/$ OPTIONS

LONDON (LIFFE)

CHICAGO

SWISS FRANC (IMM) SFr 125,000 $ per SFr	Latest	High	Low	Prev.
Dec	0.6884	0.6886	0.6874	0.6874
Mar	0.6963	0.6963	0.6952	0.6952
Jun	-	-	-	0.7036
Sep	-	-	-	0.7116

STANDARD & POORS 500 INDEX $500 times index	Latest	High	Low	Prev.
Dec	265.85	266.20	265.70	265.80
Mar	268.35	268.80	268.35	268.45
Jun	271.20	271.20	-	271.05
Sep	273.70	273.70	-	273.60

Estimated Volume 2758 (3074)
Previous day's open int. 11363 (11215)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8245	1.8198	1.8115	1.7982	1.7778

IMM-STERLING $s per £	Latest	High	Low	Prev.
Dec	1.8122	1.8128	1.8106	1.8116
Mar	1.8000	1.8008	1.7980	1.7998
Jun	1.7870	1.7870	1.7850	1.7866

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 18,755
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

Barclays Bank	12	● Hill Samuel	§12	Yorkshire Bank	12
Benchmark Bank PLC	12	C. Hoare & Co.	12		
Berliner Bank AG	12	Hongkong & Shangh	12		
Brit. Bk of Mid East	12	● Leopold Joseph & Sons	12		
● Brown Shipley	12	Lloyds Bank	12		
Business Mtge Tst	12½	Meghraj Bank Ltd	12		
CL Bank Nederland	12	McDonnell Douglas Bnk	12½		
Central Capital	12	Midland Bank	12		
● Charterhouse Bank	12	Mount Banking Corp.	12		
Citibank NA	12	Nat Bk. of Kuwait	12		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 5.22% Savewise 8.47%. Top Tier-£10,000+ Instant access 11.06% & Mortgage base rate. § Demand deposit 7%. Mortgage 12.375% - 12.75%

MONEY MARKETS

Ample credit supply

THERE WAS an abundance of day-to-day credit in several of the world's leading financial centres yesterday. Funds were freely available in London and Tokyo, leading to action by the Bank of England and Bank of Japan to mop up surplus money.

Credit was also in good supply in Frankfurt, and the West German Bundesbank may well drain liquidity later this week.

UK clearing bank base lending rate 12 per cent from August 25 & 26

Conditions were tighter in New York, where the Federal Reserve added $1bn to the banking system, via customer repurchase agreements.

Interest rates in London were slightly softer, where changed. Three-month interbank eased to 12⅛-12 p.c. from 12¼-12⅛ p.c., but there remains little prospect of a cut in bank base rates, against the background of rising UK inflation and speculation about higher US rates.

The Bank of England initially forecast a money market credit surplus of £250m in London, but revised this to £200m in the afternoon. The surplus was mopped up when the Bank of England sold £196m Treasury bills, due today, at rates of 11-11⅛ p.c.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £744m, with bank balances below target absorbing £5m. These factors were outweighed by Exchequer transactions adding £550m to liquidity, and a fall in the note circulation of £455m.

In Tokyo there was a surplus of around Y2,010bn ($16.05bn), caused mainly by redemptions of Government notes and bonds. The Bank of Japan absorbed the surplus through sales of Y600bn in bills, and by allowing Y1,400bn in commercial bills, held by the central bank, to mature.

Conditions are expected to tighten near the end of the month however, as corporate tax payments fall due.

In Frankfurt call money eased to 4.35 p.c. from 4.40 p.c., in easy credit conditions, reflecting recent action by the Bundesbank on the foreign exchanges.

A by-product of intervention to support the dollar is that D-Marks are pushed out into the banking system, increasing money market liquidity.

The Bundesbank is expected to announce the terms of a securities repurchase agreement tender today. A total of DM19.7bn drains from the market tomorrow, as two earlier pacts expire. It seems likely the authorities will not fully replace this money.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.21) 3 months US dollars		6 months US Dollars	
bid 9	offer 9⅛	bid 9	offer 9⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	10	One month	8.02	Three year	8.86
Broker loan rate	9½-¾	Two month	7.89	Four year	8.90
Fed funds	8¾	Three month	8.24	Five year	8.94
Fed funds at intervention	8⅝	Six month	8.42	Seven year	8.99
		One year	8.58	10-year	9.05
		Two year	8.82	30-year	9.13

Nov.21	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.30-4.40	4.60-4.70	4.75-4.90	4.75-4.90	4.80-4.95	5.00
Paris	7⅝-7⅞	7¾-8	8-8¼	8⅛-8¼	8⅜-8⅝	7.25
Zurich	3¼-3⅞	4-4¼	-	4⅛-4⅜	-	-
Amsterdam	5.25-5.31	5.25-5.31	-	5.31-5.41	-	-
Tokyo	3.65625	4.21875	-	4.40625	-	-
Milan	10¾-11¼	11¾-12¼	-	11½-12	-	-
Brussels	5.45	7¼-7⅜	-	7⅛-7¼	-	-
Dublin	7⅛-7⅞	7⅛-7⅞	7¾-8	8-8¼	8⅜-8⅝	-

LONDON MONEY RATES

Nov.21	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11¾	11¾	11⅞	12⅛	12¼	12¼
Interbank Bid	10¾	11⅝	11¾	12¼	12⅛	12⅛
Sterling CDs	-	-	11⅞	12⅛	12⅛	11⅞
Local Authority Deps.	11¼	11¾	11¾	12¼	12⅛	12⅛
Local Authority Bonds	-	-	12¼	12¼	12¼	12¼
Discount Mkt Deps.	11½	11⅞	11⅝	11¾	-	-
Company Deposits	-	-	12	12¼	12¼	12⅜
Finance House Deposits	-	-	11⅞	12¼	12¼	12¼
Treasury Bills (Buy)	-	-	11⅞	11⅞	-	-
Bank Bills (Buy)	-	-	11⅞	11⅞	11½	-
Fine Trade Bills (Buy)	-	-	12⅛	12⅛	12⅛	-
Dollar CDs	-	-	8.60-8.55	9.10-9.05	9.05-9.00	9.10-9.05
SDR Linked Dep Offer	-	-	7¼	7½	7⅞	7¾
SDR Linked Dep Bid	-	-	7	7¼	7⅝	7⅝
ECU Linked Dep Offer	-	-	7½	7⅞	7⅞	7⅞
ECU Linked Dep Bid	-	-	7⅜	7⅞	7¾	7⅞

Treasury Bills (sell); one-month 11⅜ per cent; three months 11⅝ per cent; Bank Bills (sell); one-month 11⅝ per cent; three months 11⅞ per cent; Treasury Bills; Average tender rate of discount 11.6334 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day Oct.31, 1988. Agreed rates for period November 26,1988 to December 25, 1988, Scheme I: 13.07 p.c., Schemes II & III: 13.27 p.c. Reference rate for period October 1,1988 to October 31, 1988, Scheme IV&V: 12.035 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ from November 1, 1988: Bank Deposit Rates for sums at seven days notice 3.75 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5,1988. Deposits withdrawn for cash 5 per cent.

LONDON STOCK EXCHANGE

Equities turn down towards the close

LONDON EQUITIES turned easier in late dealings yesterday when a weak opening on Wall Street undermined earlier assumptions that global markets would trade sluggishly this week in the face of Thanksgiving holidays in Japan, on Wednesday, and then in the US, on Thursday. There was little selling pressure, but the mood was additionally unsettled at the close when the US dollar, lacking the central bank support of recent sessions, shaded lower as New York opened.

For much of the day, UK equity sectors lacked significant features, and major stocks were content to move around Friday's closing levels in thin trade. The takeover arena was calmer, although traders were braced for developments in the major contests; the UK press indicated that Plessey is seeking a white knight to combat the £1.7bn Anglo-German attack from GEC and Siemens, and that Lonrho is also preparing to repel boarders.

The international stocks received an uncertainm lead from the oil sector, where crude prices edged higher following the announcement that yesterday's Opec meeting in Vienna had been adjourned until tomorrow.

The final hour of trading saw a sell programme, involving sizeable deals in major store shares, which was believed to be the first half of a bed and breakfast operation, where shares are sold with the intention of repurchasing them to the next session.

The FT-SE Index showed little change until London scented a dull opening on Wall Street, when it turned off smartly. By the close, the Footsie was down 12.3 at 1811.1. Turnover, lacking the takeover excitements of last week, slipped to 359.4m shares on the Seaq system, compared with 562.3m on Friday. Both totals take in customer and intermarketmaker deals.

As well as its underlying worry about the Bush Administration's stance towards the US twin deficits and the currency, London has reasons for caution on the domestic front this week. The final pricing package for the British Steel privatisation issue, likely to be capitalised between £2,500m and £2,800m, was being assembled in London yesterday for announcement tomorrow.

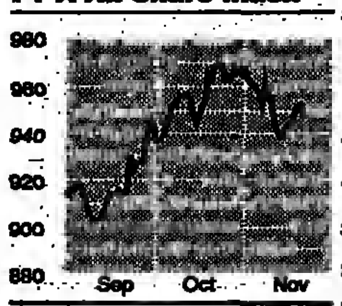
This week's list of domestic economic data is thin, with the notable exception of the October trade figures for the UK, due on Friday. London forecasts lean to the bearish side, with the equity market median prediction a deficit of around £1.6bn on visible account.

Securities markets analysts have also reacted nervously to last week's disclosure that domestic inflation has risen to 6.4 per cent.

Account Dealing Dates		
*First Dealings:		
Nov 14	Nov 28	Dec 12
Option Declarations:		
Nov 24	Dec 8	Dec 22
Last Dealings:		
Nov 25	Dec 9	Dec 23
Account Day:		
Dec 5	Dec 19	Jan 9

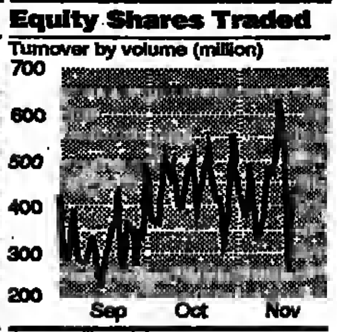
*New time dealings may take place from 9.00 am two business days earlier.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Branson deal hurts LIG

London International Group (LIG) found itself involved in an unusual dispute over market share and saw its shares fell 4 to 213½p. Turnover was thin, although dealers reported a wave of activity after news that Mr Richard Branson had sold the condom brand 'Mates' to Pacific Dunlop, the diversified Australian manufacturing group which grew out of the old Dunlop company.

The Mates deal gives Pacific Dunlop an entry into the UK branded condom market to add to its dominant position in the non-branded market. There was a buzz of interest among analysts when the sale statement claimed for Mates a 25 per cent UK market share. As one commented: "Given that LIG claims to have around 90 per cent of the market, there is considerable scope for debate here. Clearly both claims cannot be true, but the lack of independent market research makes it almost impossible for objective observers to judge the issue."

Yesterday's news followed a recent set of disappointing results from LIG, but dealers were quick to alleviate any gloom. There was strong US buying interest last week in the shares which are perceived to be cheap, and several brokers have the stock on their list of likely takeover stocks.

Plessey search

Plessey shares drifted off 2¼ to 222p in much quieter trading of 6.2m as the market reassessed the group's position in the wake of the joint bid from GEC/Siemens.

The general feeling among traders was that the joint bid will be referred the Department of Trade and Industry and the Ministry of Defence but will eventually be given the go-ahead.

Meanwhile, dealers say Plessey is going all out to secure an agreed deal with a white knight; talk in the market yesterday was that CSF Thomson, the French group where the French Government holds a majority stake, and British Aerospace, were among industry favourites to come up with a deal suitable to Plessey.

GEC were quietly traded and the shares slipped back a fraction to 175½p awaiting the next moves in the takeover saga. Miles Saltiel, electronics analyst at Hoare Govett, says shareholders "should hang on to Plessey on the premise that the bid will not be referred and that 250p or even 300p is in prospect from GEC and Siemens. The logic of the deal in telecoms is good and sets the stage for further moves by GEC and others," according to Saltiel.

Dealers continued to point to the mutual benefits of a possible move towards Plessey by STC. But this speculation held back STC's shares which settled 4 off at 280p.

Greenbank query

Walker Greenbank shares more than halved at one point yesterday on the warning that group profits will be "substantially below expectations" because of material accounting irregularities at a subsidiary. Touche Ross has been appointed to carry out an investigation into the affairs of the subsidiary, Alkar International.

The problem is believed to relate to the over-estimation of profits at Alkar, acquired by Walker Greenbank nearly three years ago. Following the discovery, the board stated that director Mr Alan Carr has been removed from all executive and operational duties. Shares of Walker Greenbank dropped to 80p before rallying to close 43 down on the session at 84p.

The slide on Wall Street the first couple of hours of trading upset the London market in oil and gas stocks which was in full retreat at the close. This was in spite of the rally in crude oil prices, where Brent for December delivery picked up strongly from being down 40 cents a barrel at one point to close the day with a gain of some 10 cents a barrel.

Oil prices had tracked news emanating from Vienna where OPEC ministers adjourned the latest meeting.

There was little support for the majors where BP, despite details of the sale of 5 per cent of its Magnus oil field in the North Sea. BP old settled 4 off at 243p on turnover of 5m while the new were 3 down at 141¾p on turnover of 5.6m.

Nervousness ahead of news of the sale of its 25.2 per cent stake in Enterprise, left LASMO down 11 at 483p.

Dealers in the blue chip international stocks were left with little to do in one of the dullest trading sessions this year as the market held steady for most of the day before falling off late. Few traders could remember a day when it was possible to remain on the bid for Hanson, one of the market's most liquid stocks, for as long as five hours without doing a single trade. Hanson shares eventually eased a penny to 148¾p after turnover of just 1.9m.

BTR warrants started trading, rising 9 from the launch price of 55p to close at 64p. The warrants represent a cheap way of holding BTR, freeing capital for investment elsewhere - "a classic income play," said one dealer. The ordinary shares were down 2 at 287p.

Banking issues held up well for much of the session, but succumbed to persistent light selling towards the close. NatWest, an underperformer in the sector in recent weeks, fell 4½ to 537½p, but turnover barely topped the half-million level, as was the case with other clearing banks.

The life assurance market was given another pasting. Pearl continued to reflect growing market concern that the group could well be lining up an agreement with one of the leading Continental insurers, possibly to pre-empt any bid attempts - and the shares lost a further 11 to a year's low 405p, a fall of 24 over the past two trading sessions.

General Accident, heavily sold recently against a background of profits downgrading and worries about losses at the recently acquired NZI Corporation, outperformed the rest of the composites after the New Zealand group revealed lower than expected losses and a rights issue. At the close General were barely altered at 828½p.

Brokers continued to suffer in the wake of the falling dollar with Sedgwick, reporting third quarter profits on Tuesday, especially vulnerable and finally 7 down at 210p after turnover of 1.7m. Julianne Jessup, insurance broking researcher at BZW is forecasting nine-months profits of £70.4m against £93.2m.

The Stores sector saw late activity which looked like a programme trade, but was confirmed as bed and breakfast dealing with the trades expected to be crossed this morning. Sizeable lumps went through in Dixons, Next, Storehouse and Burton.

Talk of a large buyer in Storehouse kept the shares higher for most of the session, but they eased towards the close to end only slightly better at 186p after turnover of 6m, which included 2.4m shares among the bed and breakfast deals.

Ratners went ex-dividend and fell 6 to 189p. The nil-paid ended unchanged at 25p after its first day's trading, with dealers saying they are waiting until news of the rump of the rights issue on December 6 before making any real moves.

Sears had a poor day, falling 3¼ to 136½p in thin turnover as last weeks' flurry of interest died down.

Electronics and defence group Ferranti, one of last week's best performers in terms of turnover and share price following the bid for Plessey, came under hard selling pressure after an unconfirmed report that the group had lost out in its bid to win the contract to supply radar equipment for the Eurofighter.

Ferranti shares lost 4 to 97¼p with turnover, although much reduced from last week's heady 20m-plus levels, coming out at 5m.

Amstrad continued to suffer from the recent resignation of the director in charge of manufacturing and latest profits downgrading and the shares retreated 4 to 173p after turnover totalling 2.8m.

Volex were one of the day's outstanding performers and jumped 23 to 425p after the interim profits surged from £2.82m to £4.08m.

Last week's disclosure that Sir Ron Brierley had increased his stake to 9.04 per cent failed to excite Vickers which gave back Friday's one penny gain and then extended the fall to show a net 4 loss at 185p.

Food issues had a day of meagre trading. One of few features was Ranks Hovis McDougall, up 4 to 366p ahead of today's figures. The range of forecasts is £156m to £160m with SBCI Savory Milln going for the lower end of the range at £156m. Turnover yesterday was 1.8m.

Eurotunnel made further excellent progress, gaining 12 to 401p, with interest this time emanating from domestic rather than French sources. Warburg Securities admitted taking a positive view on the stock but refuted market talk of it's being ready to issue a recommendation.

Favourable press notices helped sustain MB Group at 270p; the proposed merger of Metalbox Packaging and French concern Carnaud will not be referred to the Monopolies & Mergers Commission. Lilleshall gained 9 to 185p while D Y Davies advanced 7 to 112p.

Both classes of William Collins shares continued to rise ever further above the level of the bid from Mr Rupert Murdoch which was described yesterday by one analyst as "mean". The voting Ordinary shares rose 43p to 828p, while the "A" shares were 36p better at their close of 649p. The whole market is said to be expecting some sort of deal at a much higher level.

Properties began the session well, responding to broking house opinions on their net asset value attractions. Many are currently trading on discounts considered too large to their NAVs, especially Land Securities. But enthusiasm faded and few stocks were able to hold the enhanced early levels. Land Securities settled only marginally higher at 592p while British Land closed slightly dearer at 373p.

Kentish Property jumped 7 to 105p after sale of the first and second phases of its East London development, while renewed speculative demand raised Mountleigh 2 to 183p. But City Gate Estates fell 8 to 300p following six-month results said to be "in line with expectations as outlined in the USM flotation prospectus in July".

Tranwood went on another spectacular run, leaving the previous high point of the year well behind to close 5 up at 40p. Early demand was encouraged by newspaper mention which dwelt on the recommendation issued two weeks ago by CL-Alexanders Laing & Cruickshank, brokers to the company, when the price was standing at 28p.

However, the main surge in the shares yesterday came late. It caught most marketmakers on the hop, leading to a chase for stock in order to cover open commitments. No-one was able to offer any plausible explanation for the movement, although one trader said impishly: "My experience is that sudden rises such as this are sometimes the forerunner for cash calls".

Newspaper comment diffusing market speculation of a Bond Corporation offer weighed heavily on Lonrho. The duplication of several trades, one sizeable, because of problems with the overnight ticker service also made an impact and the shares reacted sharply to end 18 down at 393p.

Activity in Traded options was boosted to the moderate total by recent standards of 35,291 contracts by continued good trading in the FT-100 index contract and by the switching of a substantial position in Cadbury calls from November to February. Overall business was split into 24,375 calls and 10,916 puts. The index attracted 5,247 matched calls on the closing count, made up of 2,096 calls and 3,151 puts, while bargains not immediately matched took the total to 6,471.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 31

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (34). AMERICANS (1) California Energy, BANKS (1) Mitchell Ct., BREWERS (2) Clark (Matthew), Marston Thompson, BUILDINGS (5) Int'l. Amco, Newarthill, Pochins, ELECTRICALS (1) Volex Grp., ENGINEERING (6) ASW Hldgs., Ash & Lacy, Booth Inds., Lee (A.), Thyssen, INDUSTRIALS (7) Charter Cons., Cosalt, Lilleshall, Scapa Grp., Serco Grp., Toothill (R.W.), Wyko Grp., INSURANCE (2) Allianz AG, Taisho, LEISURE (4) Airtours, Capital Radio, Julliana's Hldgs., Radio City 'A' NV, PROPERTY (3) Merivale Moore, TEXTILES (1) Palma Grp., TRUSTS (6) Derby Tst. Inc., Govett Oriental, Martin Currie Pac., Murray Ventures, Tranwood, Do. Wrnts. NEW LOWS (47). CANADIANS (2) Bow Valley, Sonora Gold, BUILDINGS (1) Epwin Grp., CHEMICALS (1) Astra Hldgs., ELECTRICALS (4) Memcom Int'l., Norsk Data "A", Orchid Tech., Process Systems, ENGINEERING (1) Hobson, FOODS (1) Hughes Food, INDUSTRIALS (5) Bluebird Toys, Colorol, Myson Grp., Thomson T-Line, Walter Greenbank, INSURANCE (2) NZI Corp., Pearl, PAPERS (1) KLP Grp., PROPERTY (4) City Gate Est. 3¾pc Cv. Pf., Hanover Druce, Rockfort Grp., Savills, SHOES (1) Headlam Sims, TEXTILES (2) Courtaulds, Text'rd Jersey, TRUSTS (1) Berkeley Govett, OILS (2) Brit. Gas, Great Western Res. Class 'A', MINES (13) East Rand Prp., Western Areas, Loraine, BHP Goldmines, Eastmet, Independent Res., Angelic Mns., Julia Mines, Poltser Res., Southern Res., West Coast, Hemlo Gold Mines, Homestake Mining, THIRD MARKET (1) Far East Res., Pennant Grp.

FINANCIAL TIMES STOCK INDICES

	Nov. 21	Nov. 18	Nov. 17	Nov. 16	Nov. 15	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	88.33	88.21	87.94	88.08	88.12	90.61	91.43 (18/4)	86.28 (2/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.97	97.18	97.11	96.95	97.26	95.91	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1480.1	1489.0	1487.5	1477.1	1480.9	1309.4	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	172.0	176.2	178.3	177.8	178.0	293.0	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

	Nov. 21	Nov. 18	Nov. 17	Nov. 16	Nov. 15	Year Ago
Ord. Dl. Yield	4.80	4.77	4.78	4.80	4.83	4.73
Earning Yld %(full)	12.01	11.97	12.00	12.06	12.14	11.71
P/E Ratio(Net)(☆)	10.07	10.11	10.09	10.03	9.97	10.43
SEAQ Bargains(5pm)	23,251	23,588	24,003	23,180	21,107	24,205
Equity Turnover(£m)†	-	1213.52	1038.54	1068.85	772.88	674.89
Equity Bargains†	-	25,760	23,958	23,112	22,777	27,515
Shares Traded (ml)†	-	448.4	428.0	429.8	254.5	349.0

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
n/a	1488.4	1489.5	1489.1	1489.3	1489.1	1487.8	1484.6

DAY'S HIGH 1490.9 DAY'S LOW 1480.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 9.98 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Nov. 18	Nov. 17
Gilt Edged Bargains	100.9	102.6
Equity Bargains	166.5	155.2
Equity Value	2452.5	2099.2
5-Day average		
Gilt Edged Bargains	100.2	99.7
Equity Bargains	161.6	171.1
Equity Value	2147.3	2257.6

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	3,100	145	
Abbey Life	1,500	268	-1½
Allied-Lyons	2,700	471	-3
Amstrad	2,850	173	-4
Argyll Group	1,200	184	
Ass. Brit. Foods	222	328	
BAA	398	276½	-2
BAT	1,510	443	-2
BET	343	229	-2
BICC	955	383	+4
BOC	36	414½	-½
BPB Inds	237	256	-4
BTR	1,800	286½	-2½
Barclays	952	414½	-½
Bass	315	797	-7
Beazer	910	176½	-3½
Beecham	388	461	-3
Blue Arrow	1,500	91	-2½
Blue Circle	781	436	-3
Boots	1,100	226½	-2½
British Airways	1,800	158½	-2
Brit. Aerospace	398	471	-2
Brit & Comm.	1,900	228	-2
British Gas	6,700	160½	-1
British Land	2,400	373	+2
BP	5,000	243	-4
British Telecom	2,300	254½	-2½
Burmah Oil	383	514	+2
Burton	2,900	186	-1
Cable & Wireless	1,450	361	-6
Cadbury Schweppes	1,300	354	-6
Coats Viyella	2,400	171½	-2

Stock	Volume 000's	Closing Price	Day's change
Commercial Union	138	320	-3
Cons. Gold Fields	92	£12	+½
Cookson	2,200	263	+1
Courtaulds	403	274½	-2
Dalgety	210	308	-3
Dixons	3,200	139½	-1½
Eng. China Clays	98	482	-2
Enterprise Oil	750	514	-10
FKI Babcock	1,200	132	-1
Fisons	709	244	
Gateway Corp.	1,200	164	-1
General Accident	1,400	828½	-½
General Elect.	1,700	175½	-½
Glaxo	1,492	£10⅝	+⅛
Globe Inv.	67	144½	-½
Glynwed Int.	728	300	-5
Granada	893	332	-2
Grand Met.	673	482	-5
GUS A	198	£10⅛	-⅛
GRE	535	180	-3
GKN	124	316½	-1½
Guinness	773	333	-1
Hammerson 'A'	266	660	
Hanson	1,900	148¾	-1
Harrisons & Cros.	239	688	-5
Hawker Siddeley	441	549	-2
Hillsdown Hldgs.	441	266	-1
IMI	1,500	202	-3½
Imp Chem.	858	£10⅛	
Inchcape	687	210	-4
Jaguar	1,800	268	-5

Stock	Volume 000's	Closing Price	Day's change
Ladbroke	1,600	445	-3
Land Securities	790	592	+1
Laporte	185	394	-3
Legal & General	336	289½	-1½
Lloyds Bank	261	324½	-1½
LASMO	422	483	-22
Lonrho	1,900	393	-18
Lucas	199	567	-3
MB Group	3,180	270	
MEPC	588	579	
Marks & Spencer	3,200	151½	-1
Maxwell Comm.	303	199	-1
Midland Bank	336	404	-2
Nat. West. Bank	604	537½	-4½
Next	1,600	184	-1
Northern Foods	731	291	+1½
Pearson	110	782	-4
Pearl	483	405	-11
P & O	583	589	-7
Pilkington	552	224	-2
Plessey	5,550	222	-2½
Prudential	2,800	151	-2
Racal	716	287	-2
Rank Org.	48	726	-4
RMC	783	597	-8
RHM	1,800	366	+4
Reckitt & Colman	91	913	-3
Redland	107	421	-2
Reed International	572	402	-2
Reuters 'B'	275	471	-5
RTZ	552	445	-2
Rolls Royce	1,500	133½	-½

Stock	Volume 000's	Closing Price	Day's change
Rothmans	193	464	
Royal Bk of Scotland	105	352	
Royal Insurance	1,100	364	-2
STC	629	280	-4
Saatchi & Saatchi	76	354	+2
Sainsbury	1,700	225	+2
Scott & Newcastle	690	392	-1
Sears	2,700	136½	-3½
Shell Transport	733	975	-4
Siebe	154	388	-2
Slough Ests	154	322	-1
Smith & Nephew	1,000	128½	-1
Standard Chartd	415	471	-1
Storehouse	6,800	186	+½
Sun Alliance	40	996	-4
T&N	2,200	178	+2
TSB	482	108½	-1½
Tarmac	1,600	236	-5
Tate & Lyle	113	843	-3
Tesco	4,100	134	+2
THORN EMI	1,300	670	-1
Trafalgar House	196	313	-1
Trusthouse Forte	1,100	266	-2½
Ultramar	1,500	242	-3
Unilever	330	458	
United Biscuits	1,300	299	-3½
Utd Newspapers	289	399	-1
Wellcome	2,000	456	-6
Whitbread 'A'	206	291	
Williams Hldgs	1,800	254	-7
Wimpey	416	242	-1
Woolworth Hldgs	2,200	245	-1

APPOINTMENTS

Citicorp information technology top post

Citicorp, the largest US banking group, has appointed Mr John King, currently managing director of British Telecom's overseas division, to head its international information technology business which includes Quotron, the Los Angeles-based share price vendor, *writes Alan Cane.*

Mr King, 55, will take up the posts of managing director of Citicorp's Information Business International and chairman of Quotron Systems International on December 1.

He played a major role in the awareness campaign which lead up to the privatisation of BT.

Citicorp's information technology division, which turned over some $300m last year and is growing at 33 per cent a year, includes, Quotron apart, the software house Securities Industry Software (SIS), which develops securities accounting systems, Global Electronic Marketing, a personal computer based information service for executives, and Fame, a graphics system for analysing historical financial data.

Based in London

Based in London, Mr King will have responsibility for marketing Citicorp's information services world-wide outside North America.

Quotron, with some 100,000 terminals installed in 23 countries is reckoned to have 60 per cent of the US market for on-line share prices.

The decision to establish the headquarters of the division to the UK, and Mr King's appointment, are seen as evidence of Citicorp's long-term determination to establish Quotron as a leading international quote vendor. It faces fierce competition from Reuter, the leading European quote vendor, and from the US companies Telerate and Automated Data Processing.

Mr King said he had been invited to join Citicorp by Mr J. David Hann, chief executive of Quotron Systems, with whom he had worked in the 1970s at ITT. He believed Quotron's international business could outpace its domestic growth by 1995.

He had parted amicably from BT, but believed its concentration on domestic issues was detracting from its international efforts.

BT has since decided to merge its overseas division with British Telecom International under Mr Tony Booth.

Gallaher finance director

■ Mr Philip Burchell has been appointed director of finance of GALLAHER from December 1. He will succeed Mr Martin Watson, who retires in February. Mr Burchell continues as financial director of Gallaher Tobacco (UK).

■ NATIONAL WESTMINSTER BANK's UK financial services (UK branch business) has appointed Mr G.A. Robinson as director of commercial banking services; and Mr T.F. Russell as director of personnel.

■ AWD, Dunstable, has appointed Mr Tony Fowler as materials management director.

■ Mr Brian Fossett, chief building surveyor, and Mr Paul Mason, development surveyor, have been appointed directors of CIN PROPERTIES, property investment arm of the British Coal Pension Funds.

■ Mr John Batting has been appointed a director of ELLIOT S. ASSOCIATES, a subsidiary of MIM.

■ Mr Paul Milton and Mr Andrew Johnson have been appointed directors of NICHOLSON CHAMBERLAIN AND COLLS, Lloyd's brokers.

Mr Philip Burchell, Gallaher finance director

They are chairman and executive director of Nicholson Chamberlain and Colls (Financial Institutions).

■ Mr Adrian N.M. Brown, Mr John P.F. Cooke and Mr Ken Procter have joined the board of Davy McKee (London). Mr Brown becomes sales and marketing director, joining from Woodall Duckham where he was commercial director. Mr Cooke is appointed operations director; he was director and general manager of Wimpey Engineering. Mr Procter is made financial director, succeeding Mr John S. Cooke, who will take an overseas post with Davy.

■ TARGET COMPUTER has appointed Mr Grant Hawkins as chairman and managing director.

LONDON SHARE SERVICE

AMERICANS – Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
27¼	19⅝	Texas Instr. $1	19¾xd	+⅛	72c	–	2.0
70¾	43¼	Time Inc. $1	55⅛xd	+⅝	$1.00	–	1.0
21½	15⅞	Transamerica $1	17¼xd	....	$1.84	–	5.9
20¼	13½	TRINOVA Corp.	13⅞xd	+⅛	64c	–	2.3
19	14⅛	USX $1	14⅞	+⅛	$1.40	–	5.3
24¾	17⅝	Utd. Technologies	21⅞xd	+⅛	$1.60	–	4.1
34⅝	26¼	US West	30⅝	+⅛	$3.52	–	6.3
24⅞	16⅞	Waste Management $1	21½	+⅛	48c	–	1.2
16⅞	12⅞	Whirlpool $1	13¼	+⅛	$1.10	–	4.4
33⅜	18¼	Woolworth $3½	27⅞	+⅛	$1.64	–	3.3

CANADIANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	154p	AOM Gold Corp	170p	–3	–	–	–
32p	7p	Abbot Energy Corp.	7p	....	–	–	–
14¼	916p	Amer. Barrick Res.	964p	+4	–	–	–
10p	2½p	American Lightwave	3½p	....	–	–	–
47p	7½p	Armeno	17p	+8	–	–	–
76p	37p	Augmitto Expln	43p	–2	–	–	–
14¼	10⅝	Bk. Montreal	11½	+⅛	$2.00	–	7.4
769p	514p	Bk. Nova Scot.	646p	+30	76c	–	5.4
18¼	11¼	BCE	16⅞xd	+⅛	$2.44	–	6.6
716p	527p	Bow Valley	527p	–11	40c	–	3.5
13⅝	10½	Brascan	11¼	+⅛	88c	–	3.6
328p	183p	Breakwater Res	199p	....	10c	–	2.3
12¼	801p	Can. Imp Bank	10⅛	+⅛	$1.16	–	4.9
11½	841p	Can. Pacific	901p	+21	76c	–	3.8
41½	38½	Do. 4pc Deb £100	38½	....	4%	–	18.4
515p	357p	Central Capital "A" †	380p	+23	–	–	–
485p	368p	Corona Corp.	368p	....	–	–	–
886p	257p	Cons. TVX Min.	257p	....	–	–	–
371p	76p	Dandus Res	70½p	–1½	–	–	–
686p	430p	Derlan Inds	476p	+13	11.75c	–	1.1
14¼	831p	Echo Bay Mines	839p	+8	$0.07	–	8.4
40p	11½p	Energex Minerals	17½p	–¼	–	–	–
125p	83p	Euro-Asia Capital Ltd.	87p	....	–	–	–
386p	222p	Galactic Resources	268p	....	–	–	–
423p	297p	Gandalf Techs. Inc.	300p	....	–	–	–
125p	59p	Geodome Res.	67p	....	–	–	–
394p	161p	Granges Expln	365p	+4	–	–	–
17p	4½p	Gt Pacific Res.	4½p	....	–	–	–
903p	576p	Gulf Canada	584p	+8	52c	–	4.1
12⅛	816p	Hawker Sid Can	929p	+21	$1.08	–	5.7
590p	344p	Henlys Group	411p	....	–	–	–
13	785p	Hudson's Bay	935p	+32	60c	–	2.9
28	20¼	Imperial Oil	20¼	+½	$1.80	–	3.9
20⅞	10½	Inco	16	+¼	US$0.80	–	2.8
718p	462p	Inland Nat. Gas $1	530p	....	60c	–	5.2
250p	111p	Madeleine Mines	138p	....	–	–	–
207p	126p	Moscocho Expln	181½p	+½	–	–	–
187p	50p	Ntnl Business Sys.	50p	....	–	–	–
245p	110p	Nevada Goldfields	116p	....	–	–	–
12	787p	Rio Algom	927p	....	$1.30	–	6.4
17¾	11½	Royal Bk. Can.	15¼	+½	$2.08	–	6.0
35¼	26⅞	Seagram	31½	–1	US$1.20	–	2.1
361p	111p	Sonora Gold Corp	111p	–16	–	–	–
121p	18p	Spiral Eng	45p	....	–	–	–
150p	35p	Tam Pure Tech. Corp	102p	+1	–	–	–
18¾	11½	Toronto-Dom. Bk	11¼	+⅝	$1.12	–	3.2
684p	566p	Trans Can Pipe	577p	....	68c	–	5.4
205p	127p	Varity Corp	165p	+18	–	–	–

BANKS, HP & LEASING

1988 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*259	124	ANZ $A1	246	–3	tQ21c	3.1	4.1	7.8
*271	180	Allied Irish	243	....	F072%	3.1	6.4	8.2
113¼	£18	Algemene Fl.10	£11⅞	+⅛	Q27%	1.9	6.6	–
73	58	Anglo Irish	68	....	819.69%	1.2	6.1	21.2
90	64	Ansbacher (H.) 1p	82	....	2.0	–	3.3	–
£40½	£24⅛	Banco Bilbao Viz.	£40⅛	+⅛	Q67.2%	3.1	4.1	7.8
£35⅝	£27⅛	Banco de Santander	£30⅞	....	Q22%	2.4	1.7	24.8
*272	184	Bank Ireland Ir£1	234xd	....	Q15.67%	3.3	5.5	7.4
118½	£15	Bank Leumi	117½	–	–	–	–	–

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

Stock	Price	+or-	Div Net	C'vr	Gr's	P/E
Seacon Hldgs	98	-2	21.0	–	1.4	–
Sonic Tape 2½p	8	-½	–	–	–	10.5
Stats Hldgs. 5p	20	.....	–	–	–	23.7
Swanyard Studios 1p	3½	.....	–	–	–	♦
Takare	298	-10	b1.0	8.1	0.4	30.6
Tomorrows Leisure 20p	29	-1	–	–	–	14.4
Tullow Oil 10p	21	-1	–	–	–	–
UPL Group 10p	110	-3	L2.41	4.3	2.9	14.8
Unit Group	143	-2	15.0	2.9	4.7	8.0
Video Tape Rec 5p	111xd	-4	2.5	♦	3.0	♦
Wilton Group	5¼	.....	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ☆ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ∥ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	71	.....
Craig & Rose £1 γ	700	.....
Finlay Pkg. 5p γ	86	+1
Holt (Jos) 25p γ	£11⅞	.....

IRISH

Cap. 8½% Ln. 1991	£99⅝	.....
9pc Cap Ln. 1996	£183⅞	.....
Fin. 13% 97/02	£124⅛	.....
Arnotts γ	375xd	.....
Carrol Inds. γ	155	.....
Grafton Grp. γ	145	.....
Hall (R. & H.)	150	.....
Helton Hldgs. γ	56	.....
Irish Ropes γ	165	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord.	18
Cadburys	31
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	65
Jaguar	22
Ladbroke	38
Legal & Gen.	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk.	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord.	63
Reed Intnl	38
STC	24
Sears	15
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	50
Peachey	54

Oils

Brit Petroleum	21
Do. (P.Pd)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5½
Shell	85
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	40

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

COMMODITIES AND AGRICULTURE

Iran resists Gulf pressure to give Iraq equal quota

By Steven Butler in Vienna

OIL MINISTERS from the Gulf Arab states now believe they have the backing of 12 of the 13 members of the Organisation of Petroleum Exporting Countries for a proposal that would give Iraq an equal quota with Iran.

This has been firmly resisted by Iran at an Opec ministerial conference which opened in Vienna yesterday.

Iran has historically received a much higher oil production quota than Iraq. Such a proposal would isolate Iran and create the possibility of a 12-member agreement that would exclude Iran.

In the current agreement Iraq has no production quota, and has refused a quota less than Iran's. However, not all ministers would back a 12-member agreement and some, including Sheikh Ali Khalifa Al-Sabah, the Kuwaiti oil minister, have said publicly they would sign either a 13-member agreement or none.

Mr Gholamreza Aghazadeh, the Iranian oil minister, yesterday blamed the Gulf Arab states for the impasse and complained that the Gulf states had refused an Iranian offer to meet as a group to discuss and resolve their differences.

"I am very flexible," he said. He would countenance an increase in the Iraqi quota, provided Iran received a similar increase in its quota.

PRICES FOR the crude oil futures contract launched by London's International Petroleum Exchange earlier this year are being included in the FT commodity prices tables from today. The contract – for North Sea Brent, the most widely traded grade of crude in Europe – is being well used by the oil industry. Last month it traded an average daily volume of 2,671 lots, with a peak of 5,072 on October 19.

The first formal day of the conference produced no signs that a breakthrough in the deadlock between Iran and Iraq had been broken, although Mr Isaam Abdul Raheem Al-Chalabi, the Iraqi minister, showed signs of flexibility.

He said that discussions continued on proposals to resolve the Iraqi quota issue by use of crude production from the Neutral Zone, which is controlled by Kuwait and Saudi Arabia, and that these might be acceptable.

"It depends on the other issues and it depends on how it would be put," he said. It is not clear whether Iraqi proposals on such a formulation would be acceptable either to Iran or other Opec members.

Mr Aghazadeh said that there had not yet been serious discussions of this sort of proposal.

US warns farmers on loan payments

By Deborah Hargreaves in Chicago

THE US Government has issued warnings to around 83,000 farmers that they must restructure their debt with the Farmers' Home Administration or face foreclosure.

The FmHA, the lending arm of the US Department of Agriculture has around $8bn in delinquent loans on its books – 80 per cent of which is more than three years old. The warning letters will be sent out to farmers who are more than 180 days behind on their payments.

Close to four out of five of the farmers have not made a payment for three years or more.

Nevertheless, foreclosure would be a last resort for the Government. "Our mission is, first of all, to keep the farmer on the farm and engaged in the business of farming," stressed an FmHA official.

If that is not possible, the agency will allow farming families to stay in their farmhouses with some 10 acres of land. They will be encouraged to carry on farming by leasing the rest of their land back from the Government.

The agency will be offering farmers a variety of options for re-scheduling loans including a consolidation of existing loans, reduction in interest rates and re-amortising certain loans. In the most severe cases, the options could include writing down debt, the FmHA says.

To qualify for restructuring, farmers must show that failure to make loan payments was due to circumstances beyond their control. They must also make some estimate of their income for the next five years, assessing their ability to make payments.

The FmHA, which acts as a lender of last resort to some 15 per cent of US farmers, primarily offers two different types of loan. Farmers can borrow for operating expenses or to purchase farmland in the first place.

The agency also offers emergency low interest loans to farmers in designated disaster counties.

Most of the delinquent loans – dating back three to four years – stem from some of the problems farmers encountered in the early 1980s when commodity prices were unusually low.

The FmHA, which has given farmers 45 days to respond to its warning letters, says it can attribute few of the repayment problems to last summer's severe drought, since much of the debt dates back further than that. Its move was prompted by the Farm Credit Act which was passed by Congress last year.

Coffee talks stalemate

By David Blackwell

THE FUTURE of the International Coffee Agreement remains in doubt after last week's opening talks on its renegotiation.

In spite of time pressure – the current pact runs out in September next year – producer and consumer sides remained far apart after the London meeting. The mood of the delegates was mixed, although most felt the meeting had advanced the negotiations somewhat.

Mr Tommy Johansson, chairman of the ICO council, said bilateral contacts and discussions on ideas proposed last week would continue until the next negotiating group meeting on February 20.

Concrete proposals for the next agreement must be put before the ICO council half-yearly session in March.

The consumers are determined to end the so-called two-tier market under which producers sell coffee to countries that do not belong to the ICO at discounts of more than 40 per cent. Preliminary figures from the ICO last week showed that coffee exports to non-members rose to 11.31m bags for 1987-88, compared with 7.61m bags in 1986-87.

At present the ICO tries to stabilise world market prices by means of quotas on sales to importing members. Many consumers last week were in favour extending this system to cover all members' exports and imports, regardless of whether the other party belonged to the ICO or not.

The problems of policing a system involving non-member countries were stressed by producers, and Brazil, the biggest exporter, baulked at the idea.

Instead, it proposed strengthening measures to prevent discount sales to non-members, with penalties culminating in permanent quota cuts. Consumers showed little warmth towards the idea.

Nitrate problems come to the surface

'Digging for Victory' may be at the root of today's water pollution worries

FARMER'S VIEWPOINT

By David Richardson

I WAS just a boy at the time but I well remember the day the man from the Ministry ordered my father to plough his best meadow and plant potatoes. The fact that our dairy cows would be short of summer grazing did not worry the official at all. Potatoes were the current priority and that was what our land must produce.

The year was 1942 and this was part of the war effort. The War Agricultural Committee had been set up to increase home food production by whatever means possible and its officials were all-powerful. A few days later the meadow was ploughed as instructed; the organic matter in the grass began to break down into its chemical components and by a gradual process of leaching have recently reached East Anglia's ground water supplies.

For most of the nitrates which have preoccupied the press for the past few days and which, we are assured, will also be referred to in the Queen's Speech as she opens Parliament today, were released 40-50 years ago. That is how long it takes for fertiliser to wash through the soil. The roots of the problem can therefore be summarised as Adolph Hitler, German U-Boats threatening food ships in the Atlantic and the British Government's efforts to counteract both.

As food rationing continued through the 1950s and successive governments attempted to come closer to self-sufficiency in food during the 1960s and 1970s the less dictatorial but nevertheless government-employed successors of the "War Ag" officials, the National Agricultural Advisory Service and later the Agricultural Development and Advisory Service consistently urged farmers to increase yields by using more nitrate fertilisers.

It is no more than justice therefore that any future restrictions leading to loss of income by farmers should be fully compensated by the Government. This principle was in fact accepted last week by both the Ministry of Agriculture and the Department of the Environment and farmers likely to be affected will be grateful.

Most of those farmers, whose land lies over water catchment areas where nitrate levels have risen above the 50 parts-per-million EC limit imposed eight years ago, have for some time been well aware of the probability of restrictions. The concept of "water protection zones" in which applications of nitrogen fertilisers would be limited or banned has been widely discussed by water authorities and farmers' organisations.

Meanwhile farming methods have been modified wherever possible to limit leaching of nitrates into water supplies.

Attempts have been made to quantify the fertiliser a crop actually uses during each stage of growth so that applications can be timed and limited to that amount, thereby avoiding excess being lost down drains. Farmers have planted more crops such as cereals in the autumn so that land is not left bare and more vulnerable to leaching through the winter. They have reduced the number of times a field is cultivated because disturbing soil makes it lose fertiliser faster.

All of this should help to limit the problem of nitrates in water supplies in the distant future. It is interesting to note, however, that in some areas of eastern England, where lower average rainfall has concentrated nitrates in water, levels have stabilised over the last few years and in some cases gone down. This tends to support the contention that war time ploughing in of organic material made a greater contribution to nitrate pollution than subsequent direct application of fertiliser.

Even so it must be conceded that some East Anglian water sources currently contain well above 50 parts per million of nitrate. The Anglian Water Authority has in fact been operating to an 80 ppm target and admits that in some cases levels have been up to 100 ppm.

Does this mean then that East Anglians are at risk from drinking tap water? All the evidence, as distinct from the emotion, suggests that they are not.

High nitrite intakes have been implicated in two main health problems. One is the so-called "well water blue baby syndrome," which can affect bottle-fed infants in the first few months of life. The other is stomach cancer, the risk of which has been said to increase following high nitrate consumption.

According to the Royal Commission on Environmental Pollution's 1979 report only 10 cases of blue baby syndrome had been reported in the UK during the previous 30 years and none were associated with tap water from the grid. And a series of studies on the incidence of gastric cancer worldwide have consistently shown that since the Second World War the number of cases has gone down each year. A study comparing East Anglia, where nitrate levels in public water supplies are generally highest, with other areas of Britain, revealed that the incidence of gastric cancer was lower.

I am not, as it may appear, making a case for doing nothing, although I would suggest that the EC figure of 50 ppm permitted nitrate in water was plucked from the air and had more to do with politics than science. It is clearly vital to limit pollution of all kinds even when the pollutant and its concentration is as apparently harmless as the present levels of nitrate in some UK water.

In any event Britain is bound by EC law to ensure that all our water is up to standard. And if a health risk does exist, as that law implies, shouldn't the action taken be rather more immediate than the banning of fertilisers on a few farms in east Anglia so that the water our grand children drink will be better?

Surely treatment plants to purify water should be installed as a matter of urgency. Or is the whole exercise cosmetic and merely designed to reassure a concerned but relatively uninformed public?

French aluminium surprise

By Kenneth Gooding, Mining Correspondent

SOME ALUMINIUM industry watchers simply did not believe that Pechiney would buck the current trend and place a new smelter in France rather than look for primary metal supplies in countries such as Canada, South America or the Middle East where energy costs are much lower.

They suggest that the state-owned French group's decision, announced yesterday, to build a FFr4.5bn ($758m) aluminium smelter at Dunkirk in northern France must mean Pechiney has won a deal for cut-price energy from Electricite de France, the country's national electricity supplier which will also take a stake in the smelter.

Pechiney said it will be looking for another partner from the aluminium industry to share the smelter's output. Among the obvious candidates are Alusuisse of Switzerland which is to reduce its high-cost primary aluminium capacity by closing the smelter at Chippis in Switzerland and by reducing output at Rheinfelden in West Germany.

Hydro Aluminium, part of Norway's Norsk Hydro group, is another candidate in view of its growing network of European aluminium extrusion activities for which it needs metal.

Pechiney's new smelter will not add much to European aluminium capacity because it intends to phase out old capacity at Noguere in south western France and at Riouperoux in the French Alps which between them produce about 80,000 tonnes of primary metal a year or about half the 200,000 tonnes projected for the Dunkirk facility.

The Gulf emirate of Qatar yesterday signed an outline agreement for the establishment of a 240,000-tonne-per-year aluminium smelter near Doha, due to come on stream in mid-1991, writes Andrew Gowers.

The agreement will create the largest smelter in the Gulf, which already has aluminium plants benefitting from cheap local energy supplies in Bahrain and Dubai. The international consortium of companies involved includes China's state metals corporation Minmet, Amari of the UK and a group of American metal users.

It aims to raise $1.2bn in financing for the project, which will be built by a consortium led by Balfour Beatty and Brown and Root.

According to the European Aluminium Federation, the exceptionally buoyant conditions of 1987 saw consumption of primary metal in western Europe reach a record 4.1m tonnes, some 600,000 tonnes more than output in the region.

Demand was satisfied partly by running down stocks and from imports which totalled 430,000 tonnes. The association expects demand this year will be more than 1.5 per cent ahead of 1987 and imports will have to rise again because stocks cannot be cut further.

Mr Theodor Tschopp, chairman of the association, recently pointed to the dangers to Europe of the growing separation of primary aluminium production and the main consuming markets. Not only would European industry become much more vulnerable to exchange rate fluctuations (aluminium prices are in US dollars) but nobody could guarantee that the governments of the energy-rich countries would not develop an "Opec-type" pricing policy for their aluminium sometime in the future.

Zinc supplies forecast to remain tight next year

By Kenneth Gooding

ZINC SUPPLIES are likely to remain tight until the end of next year even if there are no more strikes in Peru, says James Capel, the London stockbroker.

Capel points out that in the first nine months of last year zinc consumption only slightly outpaced supply – by 34,000 tonnes. However, in the same period of 1988 the deficit grew to 208,000 tonnes.

The Peruvian strike is costing 11,700 tonnes a week and producers' zinc stocks are equivalent to only 2.7 weeks of supply compared with five weeks at the beginning of 1987, Capel says in the latest edition of International Mining Review.

Production in 1989 is expected to be 5.1m tonnes (assuming no Peruvian strikes) and demand would have to remain unchanged in order for the stock levels to revert to five weeks supply, the broker adds.

Capel's forecasts of economic growth in the major economies suggest that zinc consumption is likely to grow at about 2.5 per cent next year and this would leave inventories at the end of 1989 at the low level of four weeks of consumption.

● Zinc producers continue to support the new London Metal Exchange special high grade (SHG) zinc contract by putting metal into the LME warehouses at a time when their own stocks are very low. Last week SHG stocks, which languished at only 3,000 tonnes at the beginning of November, jumped by another 2,100 tonnes to reach 11,025 tonnes and nearly matched those for high grade metal.

From today the three-months SHG zinc price is to be quoted in the LME table below and the cash price will be included after the first prompt date, December 1. The standard copper quotations have been dropped.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium standard	+2,100	to 35,800
Aluminium high grade	+33,800	to 134,575
Copper Grade A	−2,175	to 63,025
Lead	−550	to 57,175
Nickel	+264	to 1,572
Zinc	−350	to 22,075
Tin	−230	to 7,200
Silver (oz).	−70,000	to 15,210,000

WORLD COMMODITIES PRICES

LONDON MARKETS

COCOA prices advanced strongly yesterday, with the March contract closing £20 up at £871 a tonne after reaching £874 earlier. Trade selling took the gloss off prices in a generally quiet physical market. But hedge buying by manufacturers for next year's second and third quarters kept forward contracts buoyant along with March. Manufacturer buying was said to involve primarily Ghanaian beans at prices some £200 a tonne over futures and possibly other West African origins, but not Ivory Coast, dealers said. A Reuter report that some ICCO delegates believed France had struck a long-awaited deal with the Ivory Coast came too late to affect the market. The report said delegates believed France had agreed to subsidise the Ivory Coast in stockpiling 200,000 tonnes of cocoa, with the help of a French cocoa trading company.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$9.80-90q	-0.01
Brent Blend	$12.10-20x	+0.08
W.T.I. (1 pm est)	$13.11-14q	+0.04
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$178-181	-2
Gas Oil	$122-123	+1.5
Heavy Fuel Oil	$54-56	
Naphtha	$131-134	+4
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$417.50	-0.25
Silver (per troy oz)♣	604c	-7
Platinum (per troy oz)	$555.50	-6.75
Palladium (per troy oz)	$125.5	-0.5
Aluminium (free market)	$2305	-20
Copper (US Producer)	144⅝-149½	+3
Lead (US Producer)	40¼c	
Nickel (free market)	600c	
Tin (European free market)	£4075	-20
Tin (Kuala Lumpur market)	19.50r	-0.19
Tin (New York)	343c	-1
Zinc (Euro. Prod. Price)	$1475	
Zinc (US Prime Western)	70⅞c	
Cattle (live weight)†	114.43p	+0.63*
Sheep (dead weight)†	171.38p	+1.74*
Pigs (live weight)†	80.36p	+0.05*
London daily sugar (raw)	$264.0z	+2.6
London daily sugar (white)	$276.0z	+4.5
Tate and Lyle export price	£254.0	+1.5
Barley (English feed)	£109.5	
Maize (US No 3 yellow)	£127.0w	+0.5
Wheat (US Dark Northern)	£114	
Rubber (spot)♥	52p	+1
Rubber (Dec)♥	58.0p	+0.5
Rubber (Jan)♥	58.75p	+0.5
Rubber (KL RSS No 1 Dec)	270m	+1
Coconut oil (Philippines)§	$580.0w	+2.5
Palm Oil (Malaysian)§	$385	
Copra (Philippines)§	$350w	
Soyabeans (US)	$171	-1
Cotton "A" index	58.13c	-0.60
Wooltops (64s Super)	525p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Dec/Jan. x-Dec. w-Nov/Dec. v-Oct/Dec. u-Oct/Nov. q-Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg

COCOA £/tonne

	Close	Previous	High/Low	
Dec	852	833	853	838
Mar	871	851	874	855
May	862	841	861	844
Jul	865	843	860	848
Sep	866	845	863	851
Dec	892	869	885	873
Mar	883	879	893	883

Turnover: 5072 (3943) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 18: 1077.89 (1074.87); 10 day average for Nov 21: 1081.23 (1079.46).

COFFEE £/tonne

	Close	Previous	High/Low	
Nov	1070	1067	1073	1068
Jan	1085	1083	1090	1085
Mar	1095	1094	1093	1093
May	1094	1090	1095	1091
Jly	1096	1098	1099	
Sep	1100	1100	1100	
Nov	1100	1100	1104	1100

Turnover: 1018 (1950) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 18 Comp. daily 114.69 (114.96); 15 day average 113.75 (113.67).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	235.00	234.80	233.40	233.00
Mar	230.60	231.00	231.40	229.00
May	225.60	226.00	225.20	224.80
Aug	221.00	220.40	221.00	220.00
Oct	218.60	218.20	219.00	217.80
White	**Close**	**Previous**	**High/Low**	
Dec	254.00	255.00		
Mar	264.00	264.50	264.50	263.50
May	260.00	259.00	260.00	255.00
Aug	260.00	259.50	260.50	255.00
Oct	256.00	255.50	253.00	

Turnover: Raw 661 (3586) lots of 50 tonnes. White 342 (1374).
Paris- White (FFr per tonne): Mar 1560, May 1535, Aug 1535, Oct 1520, Dec 1505, Mar 1500

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2150	178	168	58	124
2250	121	124	101	176
2350	78	88	158	239
Copper (Grade A)	**Calls**		**Puts**	
2600	402	265	42	187
2800	263	179	100	294
3000	158	117	182	429

TEA

There were 25,189 packages on offer including 3,000 offshore, reports the Tea Brokers' Association. The better liquoring Assams, particularly Pekoe dusts met strong demand at dearer rates. Medium and plainer sorts showed irregularity and tended easier towards the close. Bangladesh teas were well supported and sometimes dearer. Africans met less demand and although the brightest descriptions remained firm to dearer, all others declined by 2-8p. Ceylons attracted rather less enquiry than of late and were occasionally easier. Offshore teas sold readily with the best sorts fully firm. Quotations: quality 165p (160p), medium 103p (108p), low medium 72p (73p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 8,300 tonne
Cash	2280-90	2280-90		2295-305		
3 months	2233-5	2235-40	2265/2210	2243-4	2265-70	19,422 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 6,150 tonne
Cash	1220-5	1230-5		1228-9		
Dec. 21	1225-30	1230-4		1225-30		16,605 lots
Copper, Grade A (£ per tonne)						Ring turnover 31,750 tonne
Cash	1755-60	1760-5	1795/1793	1792-4		
3 months	1548-8.5	1546-7	1580/1548.5	1577-8	1551-2	66,238 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	597-600	615-8		607-10		
3 months	611-4	629-32		621-4		415 lots
Lead (£ per tonne)						Ring turnover 6,575 tonne
Cash	382-4	382-4	383	383-4		
3 months	378-9	378-8	380/378	377.5-8.5	378-9	10,794 lots
Nickel ($ per tonne)						Ring turnover 1,032 tonne
Cash	13300-400	13350-450	13300/13200	13250-300		
3 months	11650-700	11740-70	11800/11800	11775-800	11700-50	8,607 lots
Zinc, Special High Grade (£ per tonne)						Ring turnover 0 tonne
Cash						
3 months	1500-10			1505-15	1495-505	1,191 lots
Zinc ($ per tonne)						Ring turnover 10,925 tonne
Cash	1580-90	1575-80	1590/1585	1585-7		
3 months	1465-8	1456-60	1480/1460	1468-70	1482-5	12,386 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Feb	72.0	70.0		
Apr	97.9	96.2	97.8	97.0
May	112.0	109.5	111.5	111.0
Nov	90.0	85.0	85.0	

Turnover 125 (84) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Dec	156.50	156.00		
Feb	163.00	163.50	163.50	162.90
Apr	163.00	164.00	163.50	162.50
Jun	154.50	155.00	154.00	

Turnover 280 (375) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Nov	1518	1522	1518	1515
Dec	1544	1550	1553	1544
Jan	1558	1564	1573	1559
Apr	1590	1591	1600	1590
Jul	1400	1405	1400	
BFI	1495	1492		

Turnover 113 (262)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Nov	109.15	108.95	109.15	108.70
Jan	111.15	111.50	111.50	110.75
Mar	114.40	114.00	114.65	113.90
May	117.55	118.00	117.75	117.35
Jun	119.30	119.75	119.50	119.25
Sep	103.25	103.25	103.25	
Nov	105.75	105.75	105.78	
Barley	**Close**	**Previous**	**High/Low**	
Nov	105.95	105.70	106.00	105.85
Jan	108.20	108.25	108.25	108.00
Mar	110.95	111.25	111.10	110.95

Turnover: Wheat 151 (246) Barley 88 (93)
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	417¼-417¾	229-229½
Opening	417-417½	228¾-230¼
Morning fix	416.60	229.468
Afternoon fix	415.95	228.858
Day's high	417½-418	
Day's low	415-415½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	430-435	236-239
Britannia	430-435	236-239
US Eagle	430-435	236-239
Angel	428½-431½	233½-236½
Krugerrand	417-420	229-231
New Sov.	98¼-99¼	54-54½
Old Sov.	98¼-99¼	54-54½
Noble Plat	571.85-576.55	315.20-318.85
Silver fix	**p/fine oz**	**US cts equiv**
Spot	337.95	613.85
3 months	348.40	628.30
6 months	356.35	641.65
12 months	379.30	671.25

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Jan	12.03	12.04	12.05	11.75
Feb	12.05	12.10	12.08	12.05
IPE Index	12.01	12.40		

Turnover: 1433 (-)

GAS OIL $/tonne

	Close	Previous	High/Low	
Dec	121.25	119.25	121.25	118.75
Jan	118.25	116.25	118.00	115.75
Feb	116.25	114.75	116.00	113.75
Mar	113.75	112.00	113.75	111.50
Apr	111.50	109.50	111.75	109.00
May	109.50	107.25	110.50	106.50
Jun	106.50	106.50	109.50	108.00
Jul	110.00	107.50	108.00	107.50

Turnover 6627 (11102) lots of 100 tonnes

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	415.8	417.4	0	0
Dec	416.5	418.1	418.8	416.0
Jan	418.1	420.7	0	0
Feb	421.3	423.0	423.5	420.8
Apr	426.6	428.4	428.4	426.0
Jun	431.9	433.8	433.8	431.2
Aug	437.6	439.5	0	0
Oct	443.3	445.2	0	0
Dec	446.9	450.8	451.0	446.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	553.3	558.4	563.5	553.5
Apr	555.3	558.4	563.2	554.0
Jul	558.3	559.4	561.0	556.5
Oct	559.3	561.4	565.0	558.0
Jan	563.8	565.9	564.0	564.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	601.0	606.3	0	0
Dec	602.5	608.0	512.0	598.0
Jan	607.0	612.5	612.5	610.0
Mar	616.9	622.5	627.0	613.0
May	626.3	632.2	633.5	622.0
Jul	636.1	642.3	646.0	633.0
Sep	645.7	652.1	652.1	640.0
Dec	660.5	667.0	672.0	657.0
Jan	665.2	671.7	0	0
Mar	676.4	683.0	681.0	674.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	139.70	141.40	139.70	139.70
Dec	134.50	135.90	136.20	133.50
Jan	128.50	129.30	0	0
Mar	116.40	116.80	117.00	116.10
May	109.00	109.50	109.25	108.30
Jul	105.00	106.00	106.00	104.20
Sep	103.00	104.00	0	0
Dec	101.00	101.70	101.20	100.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	13.04	12.91	13.15	12.96
Feb	12.86	12.79	12.94	12.78
Mar	12.84	12.74	12.91	12.74
Apr	12.85	12.74	12.91	12.76
May	12.86	12.74	12.91	12.80
Jun	12.81	12.74	12.86	12.80
Jul	12.88	12.74	12.89	12.80

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	4355	4276	4385	4250
Jan	4290	4203	4295	4190
Feb	4160	4090	4165	4075
Mar	3950	3865	3970	3905
May	3645	3570	3645	3580
Jun	3600	3510	3600	3560

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1425	1382	1425	1390
Mar	1478	1430	1481	1437
May	1465	1427	1467	1435
Jul	1465	1431	1465	1436
Sep	1460	1430	1465	1440
Dec	1485	1442	1465	1450
Mar	1506	1463	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	126.20	125.71	128.60	125.20
Mar	127.92	127.34	127.99	126.65
May	127.25	126.55	127.25	129.00
Jul	126.21	126.63	126.10	125.90
Sep	125.25	125.38	125.25	124.75
Dec	124.50	124.35	0	0
Mar	125.00	124.23	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	9.55	9.60	0	0
Mar	10.16	10.26	10.22	10.11
May	9.94	10.02	9.97	9.89
Jul	9.78	9.84	9.82	9.73
Oct	9.64	9.70	9.67	9.58
Jan	8.63	8.92	0	0
Mar	9.37	9.35	9.40	9.37

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	52.76	52.39	53.05	52.30
Mar	53.48	53.32	53.86	53.07
May	53.61	53.60	54.05	53.22
Jul	58.50	53.67	54.20	53.20

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	170.40	169.30	170.50	169.60
Mar	168.40	167.85	168.65	168.05
May	169.00	168.35	169.00	168.75
Jul	169.20	168.80	169.50	169.00
Sep	167.25	166.80	0	0
Nov	163.25	163.25	0	0
Jan	161.25	161.25	0	0
Mar	161.25	161.26	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	746/2	731/0	747/0	730/4
Mar	759/0	744/2	759/0	744/0
May	763/0	749/4	764/0	750/0
Jul	762/2	751/4	762/4	750/0
Aug	754/0	744/0	754/0	744/0
Sep	715/0	712/0	715/0	709/4
Nov	693/4	692/2	694/0	687/0
Jan	699/0	696/0	700/0	696/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	21.92	21.41	21.95	21.25
Jan	22.10	21.71	22.20	21.62
Mar	22.69	22.23	22.70	22.17
May	23.20	22.75	23.20	22.75
Jul	23.65	23.28	23.65	23.20
Aug	23.77	23.40	23.80	23.40
Sep	23.95	23.70	23.95	23.70
Oct	24.10	23.75	24.10	23.80

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	242.7	238.2	243.0	237.5
Jan	242.9	238.7	243.0	237.5
Mar	241.6	238.2	241.8	236.5
May	236.7	235.0	237.0	232.5
Jul	231.5	230.7	231.7	228.0
Aug	226.7	226.2	227.0	224.0
Sep	220.5	224.0	224.0	217.0
Oct	210.5	215.5	210.5	209.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	261/0	256/2	261/4	257/0
Mar	270/0	267/4	270/4	266/6
May	274/0	272/2	274/4	270/6
Jul	274/4	273/4	274/6	272/6
Sep	251/0	251/4	252/0	250/4
Dec	253/0	254/2	255/0	251/6
Mar	257/6	259/0	259/4	257/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	408/2	411/0	411/4	403/4
Mar	415/2	418/0	418/0	411/4
May	398/4	401/0	401/0	397/0
Jul	377/6	379/6	379/6	377/0
Sep	384/4	385/4	386/0	384/0
Dec	393/4	394/2	394/0	392/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	72.55	72.36	72.95	72.36
Feb	72.17	72.35	72.95	72.02
Apr	73.62	73.82	74.20	73.36
Jun	72.22	72.45	72.75	71.90
Aug	70.15	70.45	70.65	69.80
Sep	69.50	69.50	0	0
Oct	68.90	69.20	69.50	68.80

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	39.85	40.15	40.42	39.73
Feb	42.92	43.10	43.50	42.50
Apr	42.15	42.60	42.92	42.10
Jun	46.55	47.17	47.65	46.30
Jul	47.30	47.65	47.70	47.00
Aug	46.40	46.70	46.75	46.22
Oct	43.50	44.20	44.40	43.50
Dec	45.00	45.20	45.35	45.00

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	42.40	43.07	43.45	42.27
Mar	42.95	43.57	43.95	42.82
May	44.60	45.25	45.50	44.40
Jul	45.95	46.62	46.90	45.75
Aug	44.97	46.52	45.85	44.92

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 18	Nov 17	mnth ago	yr ago
1839.5	1843.4	1877.9	1683.3

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	132.49	133.18	135.40	128.33
Futures	136.31	136.63	139.57	131.67

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

FRANCE (continued)

GERMANY

GERMANY (continued)

ITALY

ITALY (continued)

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

SINGAPORE

JAPAN

CANADA

TORONTO

2pm prices November 21

INDICES

NEW YORK — DOW JONES

CANADA

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
RJR Nabisco	3,721,300	85⅝	+ 1⅞	Potomac El Power	1,540,100	21⅝	—
Kan-Cy Power	2,604,500	31½	+ ⅛	Upjohn	1,433,600	29⅝	- ⅜
USF & G	1,814,700	30	- ⅛	Exxon	1,316,400	42⅛	—
Texas Utilities	1,804,600	28¼	.....	Am T & T	1,138,300	28	+ ⅛
Kaneb Services	1,545,500	2	- ⅛	IBM	1,053,100	115⅝	- ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

**Saturday Nov. 19: Japan Nikkei (c) and TSE (c)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 21 November 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	167.8m	938	+10	Kawasaki Steel	16.6m	1,060	-20
Nippon Yusen	33.6m	913	+28	Sumitomo Metal	16.5m	745	uch
Kawasaki Heavy Ind	32.6m	841	-9	Japan Line	16.3m	472	+17
NKK	23.9m	932	+7	Tokyo Fire & Marine	13.1m	2,340	+20
Mitsubishi Estate	21.4m	2,970	+20	Tokai Carbon	12.5m	870	+81

4pm prices November 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A—A—A —								
27⅞	14	AAR	.44	2.0	16	700	22¼	21⅛	22⅛	+ ⅛
10⅛	8¾	ACM n				160	9	9⅛	9	+ ⅛
12⅛	10¼	ACMIs	1.28a	11.		339	11⅛	11⅛	11⅛	− ¼
10⅛	10	ACM M n				216	10⅛	10	10	
12⅛	10½	ACMSc	s1.20	12.		570	11	10⅞	10⅞	− ⅛
10⅛	8⅞	ACMSp	n1.01	11.		321	9	8⅞	9	+ ⅛
5⅛	2⅝	AMCA	.12e	3.8		4	3⅛	3⅛	3⅛	
9¼	3⅝	AM Intl				542	4⅞	4⅝	4⅞	+ ½
23¼	19¼	AM Int pf	2	9.5		12	21¼	21⅛	21⅛	− ⅛
61¼	26¼	AMR			6	1320	47⅞	47¼	47⅞	+ ¼
24⅛	20½	ANR pf	2.12	9.1		4	23⅛	23⅛	23⅛	
9½	6⅛	ARX			10	886	6¼	d 6½	6¼	+ ⅛
58⅞	26¼	ASA	3a	8.0		347	37⅛	37¼	37⅛	− ¼
20¼	11	AVX	.12e	.8	11	275	16⅛	16⅛	16⅛	− ½
52⅛	42¼	AbtLab	1.20	2.7	14	4063	44⅞	44⅛	44⅛	− ½
21¼	15⅞	Abitibi g	1			89	16⅛	15⅞	16	
13⅞	7⅛	AcmeC	.40	5.0		244	8	d 7½	8	+ ¼
9⅞	6⅛	AcmeE	.32b	5.1	27	26	6¼	6¼	6¼	+ ⅛
29½	12¼	Acuson			20	276	21	20⅞	20⅞	− ⅞
17⅞	14⅛	AdaEx	2.08e	14.		164	15⅛	14⅞	15	− ¼
10⅞	7¼	AMD			14	1762	7⅝	7⅜	7½	− ⅜
43½	29¼	AMD pf	3	9.8		117	30½	30¼	30½	+ ⅛
8½	4¾	Adobe				39	8⅛	8⅛	8⅛	+ ⅛
31¼	19¼	Adob pf	2.40	12.		3	20⅛	20⅛	20⅛	− ⅛
9¼	5⅞	Advest	.12	1.7	21	361	7	6⅞	6⅞	
52½	39½	AetnLf	2.76	5.0	9	1863	48	47½	47⅛	− ⅛
34¼	29½	AlIPb s	.20	.7		663	28½	28⅞	28⅛	− ⅜
16⅛	13	Ahmans	.88	5.5	9	2780	16¼	16	16⅛	+ ¼
4⅝	1⅞	Aileen				4	3¾	3⅝	3⅝	− ¼
63⅞	30⅝	AirPrd	1.30	3.1	10	904	38¼	37⅞	38½	− ¾
10¼	11¼	AirbFrt	.28	3.3	10	45	10¼	10	10	− ½
[illegible]										

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid is stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices November 21

OVER-THE-COUNTER

Nasdaq national market, 3pm prices November 21

AMERICA

Dow recoups early slump in quiet trading

Wall Street

EQUITIES came back from a loss of 20 points yesterday morning as the dollar once gain came under pressure to close with modest gains for the third session running, *writes Janet Bush in New York.*

The Dow Jones Industrial Average finished 3.56 points higher at 2,065.97 recouping a loss of six points in the last half hour of trading. However, the recovery came in sluggish trading of only 120m shares, one of the lowest totals this year, suggesting that trading is already beginning to wind down for Thursday's Thanksgiving Day market closure.

Despite the modest gains during the last three sessions, which have to be seen in the context of sharp losses since the election, sentiment in the stock market has become increasingly negative.

Some technical indicators favour a bounce after the slump in the last two weeks but few traders or analysts believe that this market can rebound significantly while interest rates are firming and while there is a widespread belief that rates will move even higher.

A handful of major securities houses have announced increases in the cash allocations of their portfolios. Last week, Paine Webber cut the bond and stock portions of its model portfolio and Kidder Peabody said yesterday that it had raised the cash reserves in its portfolio to 20 per cent from 15 per cent and lowered its equity allocation.

Equities look unattractive to many investors with the yield on long Treasuries now firmly above 9 per cent and the yield on three month Treasury bills quoted at around 8.25 per cent.

There were reports that the White House is preparing to raise its forecast for 1989 growth to 3.5 per cent from 3.3 per cent and it is also expected to raise its forecasts of inflation and interest rates.

The Federal Reserve believes that higher inflation would be triggered by growth of more than 2.5 per cent. There is an implication that if this were to be achieved the Fed would have to raise interest rates.

The major drag on the market early yesterday was renewed weakness in the dollar after two relatively stable days at the end of last week and a slight improvement in overseas trading. However, the equity market then managed to close in positive territory despite the dollar's slump.

In late trading, the dollar was quoted at Y122.00, not far above the session's low of Y121.85, and at DM1.7285 compared with an earlier low of DM1.7265.

Among featured stocks yesterday was RJR Nabisco which was once again the most heavily traded stock on the New York Stock Exchange. RJR gained $2¼ to $85⅞ after a special committee decided at the weekend to extend its deadline for bids to November 29. The company confirmed that it had received bids from three groups claiming the worth of their bids at $94 a share from Kohlberg, Kravis, Roberts; $100 a share for the management group; and $105 a share to $118 a share from First Boston's group.

MAI Basic Four slumped $1⅞ to $8⅞ after a report in the weekly magazine Barron's that the company was already in trouble financing its $20 a share offer for Prime Computer and would have to borrow heavily to finance the bid.

Henlay Manufacturing jumped $7¼ to $63 after news that its chairman and president will make a proposal to take the company private.

Pillsbury fell $⅞ to $56⅞. The company said it had delayed the the spin-off of Burger King to December 19 from December 2 in accordance with Delaware court request.

Canada

TRADERS on Bay Street started the ticker tape parade for Prime Minister Brian Mulroney early yesterday. The market opened 28 points up and by the close the TSE300 was up 44.32 points to 3265.40, *writes Andrew Marshall in Toronto.*

There were several hours of voting left, but weekend opinion polls convinced the markets that Mr Mulroney's Progressive Conservatives were set to win a historic second consecutive majority in yesterday's general election. This was despite the strong opposition Liberal Party showing in the last two weeks. A conclusive victory for Mr Mulroney would ensure the implementation of the US-Canada free trade deal.

With this in mind, export and trade-related stocks led the advance in moderate trading.

EUROPE

Registered shares join bearers in Zurich slide

HEAVY trading continued on Swiss stock exchanges yesterday as shares lost further ground after last week's decision by Nestlé to make its registered shares available to foreigners, *writes John Wicks in Zurich.*

The Swiss index, which had fallen to 910.4 on Friday, opened trading at 906.4 and continued its decline to a low of 883.7. This triggered light buying, bringing the index up to close at 885.7 – a fall of 24.7 points or 2.7 per cent.

Nestlé registered shares, which had jumped 40 per cent on Friday to SFr6,070, lost 6.9 per cent to close at SFr5,650. Other registered shares, which had benefited from hopes that the Nestlé move would set a trend, also fell off.

This was accompanied by a further weakening in the prices of most bearer shares and participation certificates. Nestlé bearers fell by a further 6.8 per cent to SFr6,475.

Brokers report continued disappointment on the part of both foreign and domestic investors at the apparent blow to bearer equities in general – even though no other company has yet announced it will follow Nestlé's lead.

However, losses in the bearer sector were generally much less marked than at the end of last week and some – including Ascom Telecommunications, Elektrowatt and Pirelli – showed an improvement during the day.

In all, registered share prices dropped back by some 2.7 per cent, bearer shares by 2.5 per cent and participation certificates by 3.2 per cent yesterday.

Weak dollar trims Frankfurt's gains on good corporate news

THE LACK of overseas direction and continued uncertainty about the dollar left most European bourses easier in light trading, although good corporate news helped Frankfurt close higher, *writes Our Markets Staff.*

FRANKFURT lost some of its early strength after comments by US president-elect Mr George Bush about his opposition to tax cuts led to a fall in the dollar against the D-Mark. However, the DAX index still managed to close 6.61 better at 1,284.16, although off the day's high. At midsession the FAZ index had gained 3.63 to 531.46.

Good corporate news helped selected shares gain, with chemicals particularly strong. Bayer gained DM2.20 to DM298 before revealing a 22 per cent jump in nine-month profits to DM2.95bn, figures in line with expectations.

Allianz advanced strongly, closing DM32 better at DM1,776 after rumours circulated that that Dresdner Bank had been buying the insurer's stock yesterday as part of the cross-shareholding agreement it is said to have concluded with Allianz.

"If Dresdner has bought a stake in Allianz, it would be in line with the way the bank intends to expand – through joint ventures and co-operation rather than outright acquisitions," said one analyst. Dresdner ended 20 pfg higher at DM296.70 after going ex-rights.

PARIS saw fairly thin trading on the penultimate day of the monthly account, with a handful of speculative stories keeping interest alive but shares generally ending lower. The OMF 50 index shed 3.38 to 402.53 and the CAC General index, based on opening prices, showed a decline of 1.3 to 391.3.

Volume was estimated at less than FFr1bn.

Clé du Midi, the diversified insurance company, was one of the few blue chip gains, adding FFr5 to FFr1,575. A French brokerage house was reported to be an active buyer.

Société Générale also gained FFr5 to FFr527. It emerged yesterday that Midi has acquired the 12.78 per cent stake held by Kleinwort Benson, the UK merchant bank, in SIGP, the vehicle used by Mr Georges Pebereau to build up his 9 per cent stake in Société Générale.

MILAN drifted lower in light trading, with investors reluctant to take new positions amid the current uncertainty on Wall Street. The Comit index closed down 6.06 at 573.58.

Confirmation that Generali and BCI have linked up with Paribas of France to set up a new Milan-based bank – Banca Internazionale Lombardi – had little impact on the market. Generali dropped L180 to L43,900 – although the shares did stage a late rally in after hours trading.

AMSTERDAM closed weaker in response to the easier dollar and Wall Street's weak opening. The CBS all-share index ended 0.5 lower at 98.4 in light trading.

Fokker fell 90 cents to Fl 22.80 despite confirming it is negotiating the sale of six Fokker 50 aircraft to Swissair, while Philips' announcement of a Fl 30m deal with Ford to supply lighting equipment to the car group's 34 European plants failed to prevent the shares slipping 10 cents to Fl 30.70.

BRUSSELS was led higher by speculative interest in Wagons-Lits, the travel group whose board last week rejected restructuring proposals by shareholders. The stock rose BFr200 to BFr7,500 on fairly heavy volume of 15,000 shares amid scepticism that the main shareholders were in agreement on the future management of the company. There is also speculation that Trusthouse Forte of the UK and Accor of France are still keen to buy the company's hotel business.

The cash market index rose 20 to 5,337.5.

SOUTH AFRICA

GOLD SHARES closed quietly easier in a subdued market on Monday following an absence of any incentives as the bullion price continued to drift.

Platinums also eased and industrials closed narrowly mixed with a slightly easier bias.

ASIA PACIFIC

Nikkei keeps rising despite hesitant note

Tokyo

SENTIMENT remained positive as share prices rose for the seventh consecutive day to a record high in spite of lower volume, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average started its rise early in the day, climbing to a high of 29,357.29, but then its gains and plunged to a low of 29,179.42. However, it managed to recoup much of the fall and closed up 104.06 at a record high of 29,284.26.

Advancing issues outnumbered declines by 542 to 376, with 145 unchanged. Volume was substantially lower at 869m compared with 1.3bn on Friday. The TOPIX index of all listed stocks also firmed 13.99 to 2,266.10 and in later London trading Japanese shares rose slightly with the ISE/Nikkei 50 index up 1.18 to 1,862.77.

The Tokyo market was a little hesitant. Yet the hint of caution that kept investors on the sidelines and reduced volume was not strong enough to stop further advances.

The currency market had little effect on equities, as the yen stayed relatively stable at a fairly high exchange rate to the dollar. On the political side, although three key personalities in the Recruit Cosmos share sale scandal faced questioning in the Diet (parliament), the affair has lost much of its impact and nothing emerged to raise fresh fears in the market.

Interest concentrated on smaller companies that have lagged behind the market and this helped spread the buying fever to a wider variety of issues. Analysts said this partly reflected the return of individual investor interest.

Among domestic issues, Nippon Flour Mill added Y35 to Y810 and Mitsui Sugar rose Y24 to Y749. Tokai Carbon was actively traded and added Y51 to Y870, while Koyo Seiko, a machinery maker, gained Y150 to Y1,180. Koyo Seiko has featured from time to time on the strength of increasing profits due to its restructuring efforts.

Shipping companies were selected on expectations of better earnings from a buoyant tanker market. These stocks have also attracted interest for their efforts to diversify into other businesses, notably in the leisure sector. Nippon Yusen – up Y28 to Y913 – was the second most actively traded issue at 33.6m shares. Japan Line also saw heavy trading and added Y17 to Y472.

Large capital steels were mixed with Nippon Steel leading in volume at 167.8m shares and gaining Y10 to Y938 but Kawasaki Steel down by Y20 to Y1,060. NKK was up a modest Y7 to Y932 in active trading. Kawasaki Heavy Industries was third in volume on 32.6m shares but lost Y9 to Y841.

Nichias, a maker of sealing and refractory insulating material, rose Y120 to Y2,200. There have been rumours that its heat insulating material will be used in the Japanese version of the space shuttle and buying remains speculative.

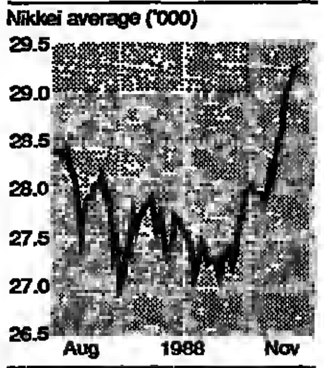
Financial issues saw a sudden spurt of activity towards the close of the session.

Trading in Osaka was also widespread among domestic issues and the OSE average rose 77.06 points to 27,009.36. Volume fell to 117m shares compared with 127m on Friday.

Nichias was the best performer, up Y190 to Y2,240.

Tokyo

Nikkei average ('000)



Roundup

THE SURGE in share prices on the Tokyo exchange again failed to bring comfort to the other main Asia Pacific markets, with Australia still beset by both domestic and overseas worries and Hong Kong drifting aimlessly in thin trade.

AUSTRALIA fell for the eighth consecutive session as shares drifted downward in light volume on worries about domestic interest rates and concern about the lack of action over the US twin trade and budget deficits. At the close the All Ordinaries index was 10.3 lower at 1,485.0 on turnover of just 76m shares worth A$120m.

Mining and gold stocks were among the biggest fallers, with weak metal and gold bullion prices exacerbating the downward trend. CRA and Metana both fell 20 cents, to A$8.16 and A$5.50 respectively.

Edwards Dunlop, the target of a A$2.85-per-share takeover bid late last week from Amcor, rose 6 cents to A$2.78. Amcor fell sharply to close down 15 at A$4.53, while Industrial Equity – which had previously launched its own bid for Edwards Dunlop – ended unchanged at A$1.41.

Going against the trend were Bond Corp, up 5 cents at A$1.80, and BTR Nylex, up 4 cents at A$8.38.

HONG KONG drifted aimlessly on the lack of domestic and overseas direction. Turnover was low at HK$666m and the Hang Seng index closed just 0.71 higher at 2,581.87.

Property stocks were again the main feature. New Town was the most actively traded stock, down 20 cents at HK$5.90 as 6m shares changed hands. New World rose 10 cents to HK$12 in good volume while Hopewell shed 5 cents to HK$3.25.

SINGAPORE edged ahead at the close as bargain buying cancelled out the effect of light profit-taking in thin trade. The Straits Times industrial index ended 1.4 higher at 992.77 on turnover of 11m shares. Much of the day's business was confined to property and Malaysian stocks.

TAIWAN rebounded sharply from Saturday's fall to record its second largest rise of the year, as the weighted index closed 217.53 higher at 7,422.39 on volume of 774m shares worth T$73bn.

Foreigners knock at Jakarta's door

John Murray Brown explains the recent surge in Indonesian stocks

IF the procession of foreign brokers wending its way to Indonesia's Ministry of Finance is anything to go by, Jakarta's infant stock exchange is about to come of age.

This week trading began in Jakarta International Hotel, the first share issue in almost five years. The offer was subscribed more than two times, with much of the interest coming from the small UK brokerage TC Coombs. Also in the paper chase are big names like Merrill Lynch, Morgan Grenfell and the French bank Indosuez.

New rules which allow foreigners to buy stock, coupled with recent tax reform and a liberalisation of trading operations, have helped prime the market, with the index now at an all-time high of 140 per cent.

Fundamentals are harder to pin down. Trading remains hampered by lack of liquidity with just 24 listings, a market capitalisation of 170bn Rupiah ($98.4m), with daily turnover reaching only about 54m rupiah on about 24,000 shares.

"People are apt to lump Asia together as a growth area," warns one banker. "In today's market you couldn't go on the Jakarta floor and buy $5m worth of stock even if you wanted to."

Only six shares can currently be bought by foreigners. The remainder are multinational joint ventures like Goodyear, BAT Industries and Unilever, which use the market to avoid divesting to a local partner and thus to retain control of operations.

Devaluation fears persist in a country which has realigned its currency three times in the past 10 years. One of the attractions of this latest issue is that the group earns its revenues in dollars. Estimating the corporate health of many private companies is not so easy.

On the other hand, brokers believe a number of Japanese joint ventures may float stock as they fund expansion of existing production lines to take advantage of Indonesia's new export incentives. Japan is by far Indonesia's largest investment partner, having put more than $9bn into over 200 joint ventures from petrochemicals and mining to timber and fisheries.

The Government is also poised to privatise a number of state companies, though the suspicion is that only loss-making concerns will be spun off.

Meanwhile, large Chinese groups like Astra, the car and agribusiness group, and diversified trading concerns like Dharmala may be tempted to go to the market, as an alternative to bank debt where interest rates are still high at around 20 per cent. Astra has already taken the plunge with the sale of $12.5m worth of stock to the International Finance Corporation. The Government is expected to simplify corporate disclosure requirements for new listings, which in the past have been a stumbling block for introverted Chinese groups like Astra.

"What we're looking at is another home for all that Japanese money," says Mr Robert Lloyd George, managing director of Indosuez Asia Investment Services. "From experience, portfolio investment from Tokyo institutions has always tended to follow about five years behind direct Japanese capital investment."

Fund managers, some of whom were a little slow to spot the rise of the Thai market, are taking an early position on Indonesia.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

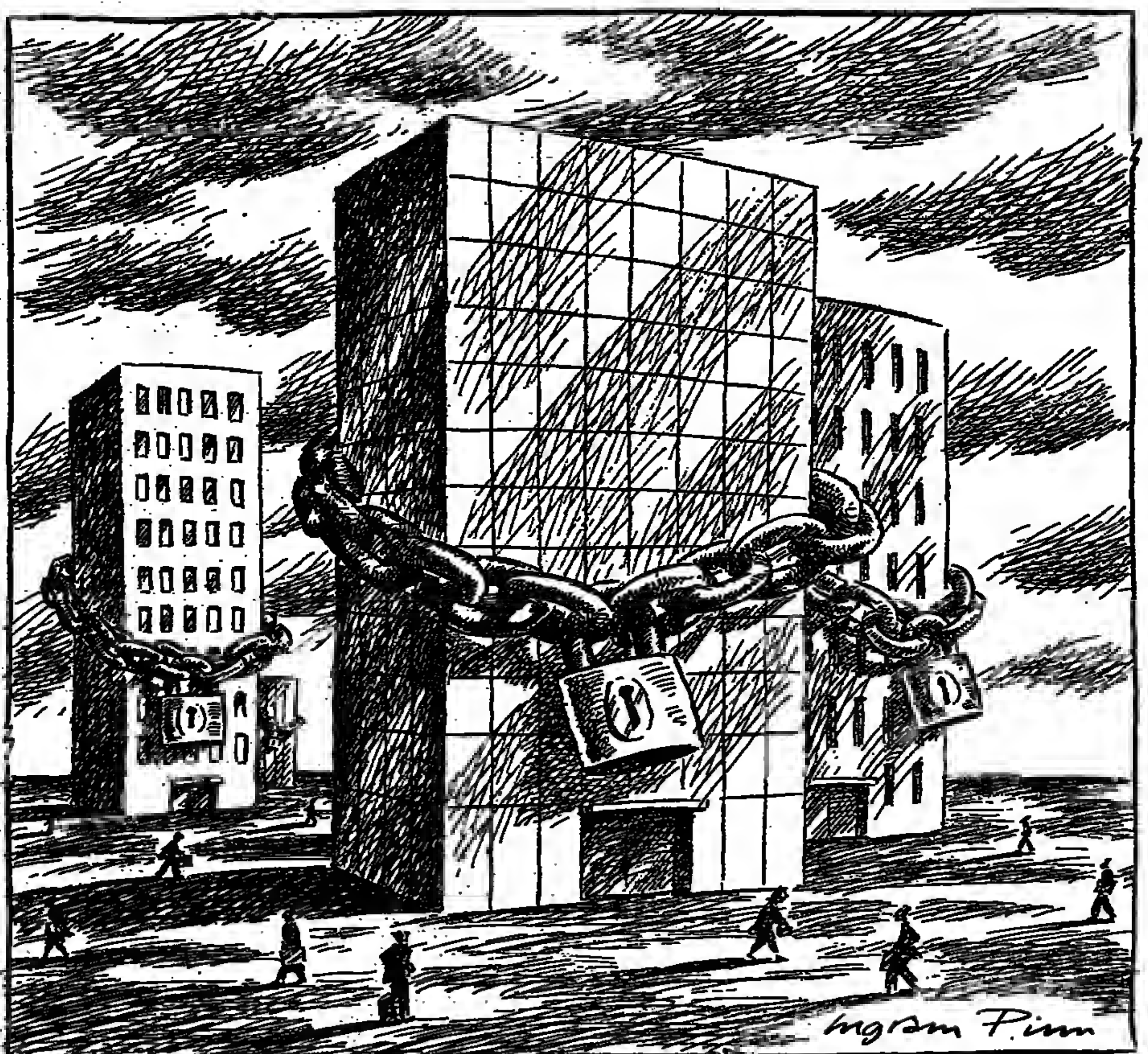
NATIONAL AND REGIONAL MARKETS	MONDAY NOVEMBER 21 1988					FRIDAY NOVEMBER 18 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	144.65	–0.5	117.86	112.37	4.68	145.42	118.69	112.92	152.31	91.16	93.30
Austria (17)	98.82	+0.7	80.52	88.99	2.42	98.13	80.09	88.60	98.82	83.72	92.21
Belgium (63)	132.67	+0.4	108.10	119.91	4.23	132.08	107.80	119.22	139.89	99.14	101.29
Canada (125)	118.36	+2.9	96.44	103.75	3.35	114.98	93.84	102.57	128.91	107.06	101.55
Denmark (39)	150.46	+0.7	122.60	136.45	2.19	149.42	121.96	136.16	150.46	111.42	108.91
Finland (26)	128.37	–0.8	104.60	111.29	1.51	129.44	105.64	112.13	139.53	106.78	–
France (130)	109.81	–0.5	89.47	102.10	3.19	110.36	90.07	102.65	111.95	72.77	83.66
West Germany (102)	87.85	+1.0	71.58	79.17	2.36	86.95	70.97	78.43	87.85	67.78	74.77
Hong Kong (46)	105.99	–0.2	86.36	106.29	4.86	106.16	86.65	106.38	111.86	84.90	83.35
Ireland (18)	132.50	–0.3	107.96	121.35	4.13	132.92	108.48	122.05	144.25	104.60	102.88
Italy (98)	84.60	–0.6	68.93	81.44	2.49	85.13	69.48	82.02	86.73	62.99	75.53
Japan (456)	188.63	+1.2	153.70	145.29	0.51	186.44	152.17	144.42	188.63	133.61	137.42
Malaysia (36)	138.41	+0.0	112.78	142.04	3.01	138.42	112.98	142.77	154.17	107.83	104.55
Mexico (13)	176.77	+1.6	144.03	442.00	1.23	174.03	142.04	435.15	180.07	90.07	137.99
Netherland (38)	108.60	+0.0	88.49	96.87	5.11	108.58	88.62	97.01	111.00	95.23	96.61
New Zealand (25)	70.96	–2.2	57.82	58.06	6.71	72.60	59.25	59.36	84.05	64.42	77.66
Norway (25)	120.94	–0.5	98.54	107.77	2.70	121.50	99.16	108.72	132.23	98.55	102.46
Singapore (26)	117.94	+0.1	96.10	106.42	2.56	117.80	96.14	105.77	135.89	97.99	98.33
South Africa (60)	116.19	–1.0	94.67	96.75	4.80	117.36	95.79	96.81	139.07	98.26	124.86
Spain (42)	152.41	+0.5	124.19	131.74	3.11	151.59	123.72	131.26	164.47	130.73	117.61
Sweden (35)	133.86	+0.5	109.07	119.74	2.39	133.14	108.67	119.54	133.86	96.92	100.68
Switzerland (57)	76.32	–3.1	62.19	69.08	2.47	78.75	64.27	71.13	86.75	74.13	79.04
United Kingdom (318)	138.65	–0.2	112.98	112.98	4.68	138.90	113.36	113.36	141.18	120.66	120.37
USA (577)	108.53	–0.1	88.43	108.53	3.74	108.65	88.68	108.65	115.55	99.19	99.06
Europe (1008)	114.64	–0.1	93.41	99.19	3.75	114.79	93.69	99.43	115.20	97.01	97.79
Pacific Basin (680)	183.52	+1.1	149.54	142.30	0.73	181.55	148.18	141.53	183.52	130.81	133.69
Euro-Pacific (1688)	155.96	+0.7	127.08	125.17	1.63	154.84	126.38	124.79	155.96	120.36	119.36
North America (702)	109.04	+0.1	88.85	108.25	3.71	108.97	88.94	108.29	116.07	99.78	99.19
Europe Ex. UK (690)	99.58	–0.1	81.14	90.78	3.00	99.67	81.35	90.92	100.74	80.27	83.78
Pacific Ex. Japan (224)	122.55	–0.5	99.86	104.64	4.69	123.14	100.51	105.07	128.27	87.51	88.66
World Ex. US (1886)	154.26	+0.8	125.70	124.31	1.70	153.09	124.95	123.91	154.26	120.26	118.82
World Ex. UK (2145)	136.57	+0.6	111.28	119.62	2.07	135.79	110.83	119.32	136.57	111.77	110.27
World Ex. So. Af. (2403)	136.86	+0.5	111.52	119.13	2.29	136.16	111.13	118.90	136.86	113.26	111.07
World Ex. Japan (2007)	111.75	+0.0	91.06	105.15	3.78	111.79	91.24	105.28	115.54	100.00	98.58
The World Index (2463)	136.73	+0.5	111.41	118.98	2.30	136.05	111.04	118.75	136.73	113.37	111.16

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Switzerland: Nestle market capitalisation has been increased to reflect the inclusion of the company's Registered shares, now available to non-residents.

SECTION III

FINANCIAL TIMES SURVEY



Corporate Security

CONTENTS

Identifying risks within a company and taking effective action has never been so important. This has spawned an entire new industry offering sophisticated products and ingenious advice to guard valuable human and physical assets, reports Paul Abrahams

High-tech hits the Old Guard

CORPORATIONS are used to protecting their physical assets. Guards, closed circuit television and identity cards are the normal preoccupations of security managers.

But as society and business practices change, so the nature of the assets that require protection have also changed. The range of issues now being considered by chief executives and their security advisers run far beyond protecting the petty cash till or preventing wages being snatched.

A whole industry has grown up trying to instil in the minds of managers that their company's less obvious and less tangible assets are just as vulnerable as its physical ones.

Although buildings, payrolls, vehicles and office equipment continue to require protection, there are new threats to businesses which can range from extortion to computer assisted fraud and theft.

Managers need to reassess where their company is most at risk. For example, as companies become increasingly global – demonstrated by the number of takeover bids this year – and brand names continue to command high prices, so those names need to be protected from threats of contamination and extortion.

In the Tylenol drug case, for instance, an extortionist's demands is estimated to have cost drug manufacturer Johnson & Johnson upwards of \$100m, with an additional impact of \$3bn on its share price.

Companies producing consumables in the drug food and drink industries need to know how to react to such threats as well as being aware of how to handle the media.

Some companies which have failed to respond effectively to crises involving their products have been forced to cease trading, such as the asbestos company, Manville, and A H Robins of the US, maker of the Dalkon Shield contraceptive.

Similarly, as companies spend more money on the recruitment and training of executives and qualified staff, so these assets also need to be protected from violence and kidnapping.

Threats can also come from employees within corporations. It is estimated that 25 per cent of crimes against companies are commited by former or disgruntled employees.

As the pace of technological change accelerates so companies have proved tardy in recognising the implications of that change. Although advances in technology can provide important benefits in productivity and efficiency, there is a price to be paid for those advantages.

Many corporations have still not absorbed the security ramifications of the telephone – a device invented in the 19th century.

Only two years ago, Woolworth Holdings, the retailing group, discovered that someone had attached a basic tap to one of its executive's telephones during a takeover bid. The shock of its discovery meant that many companies in danger of takeovers now make regular sweeps of telephones which might be used for sensitive conversations.

The ubiquity of electronic eavesdropping and countermeasures is indicated by a brief glance at the pages of small advertisements in magazines, which publicise bugging and sweeping companies.

Corporations have also been slow to realise the security implications of computers. Many companies are completely dependent upon information technology and could not operate for more than a few hours without it.

The threats to computer systems come from a wide variety of sources. These include malicious damage and sabotage caused by rogue programs snch as logic bombs and viruses, which have recently received considerable publicity. Such programs can be placed either by hackers – from outside the victim organisation – or gropers within it.

Computer 'viruses' – errant computer programs which replicate themselves over and over again – can cause considerable damage as demonstrated earlier this month by a virus in the US which brought the Internet network to a halt.

The increased number of local area networks connected to public network systems has increased sucb dangers. The widespread introduction of networks has also increased the risk of theft and fraud through computer systems.

The level of computer related crime appears to be growing. A quarter of respondants in a recent report by Ernst and Whinney on computer fraud in the US noted that the level of computer assisted crime was an increasing problem. One in eigbt reported losses in excess of \$50,000.

Mr Rupert Soames, managing director of GPT Data Systems, a division of GEC Plessey Telecommunications, says the average loss for a compnter-based crime is £500,000.

Many of the frauds are made possible simply through poor password security. Despite this, many organisations continne to rely almost completely on passwords for their network security even failing to remind users to change them from time to time. Mr Soames says that 80 per cent of dog-owning computer operators use their pets name as a password.

Consultants argue that the days wban security was only the concern of guards at the front or back doors are gone. Security requirements and contingencies need to be planned at board level.

It is not surprising that many chief executives do not consider security. The industries relating to these sectors are young, fragmented and immature. The area is confusing and information hard to obtain.

It is far from clear what risks companies might be running because of the confidential nature of the security business. No corporation wants to admit that it has had a security breach and, as a consequence, there are few hard statistics to be had.

Furthermore, many companies in the security industry have different technologies, all of which are competing to provide answers to security problems. It is still unclear whicb technologies will eventually prove successful.

Moreover, the major suppliers have been slow to react to the new demands of the security market. The leading compnter snppliers, for instance, have been left bebind by smaller companies whicb have been quicker to react to consumer demand.

The result of tbe large groups' slowness means that many of the security companies providing equipment are small and do not bave the financial resources to integrate their systems within existing security systems.

Executives also face a paucity of objective advice about security issues. Professional groups, such as the British Security Industry Association, have not yet adapted to meet the new requirements created by computerisation.

There are also few objective consultants. Most consultancies are tied to particular companies or products, and nearly all have an interest in exaggerating risks, either to create repeat business or sales.

Companies wanting to address security problems have a number of options before them. First, they need to establish the areas where their business is vulnerable through a risk analysis assessment.

Once the particular sectors have been established as being at risk, the company needs to decide whether the risks are so great and counter-measures so expensive that it sbould simply cease tbe risk-creating activity.

If, however, the risk-creating activity is crucial to the business and necessary to its survival, the company can accept the risk – and tbe consequences if disaster strikes – or insure against it.

Only after all these stages should executives consider the option of reducing the risk through security measures.

The last option, reducing risk, is not attractive to many businesses because it involves expense. Security takes money away from the bottom line.

However, David Marzo, an analyst at Burns Fry Hoare Govett in New York, argues that now is the time to spend on security.

"When a company is doing well, security losses are acceptable. But wben tbere is a trough, belts need to be tightened. Security equipment can not only reduce losses, bnt also replace expensive personnel."

"The security market is counter-cyclical," he says. "It does less well when times are good – it does very well when times are bad."

Andrew Freeman on the need for contingency policies

Planning makes perfect

CONTINGENCY PLANNING hardly has the ring of glamour about it, but to those in the business of selling the concept and practice of security, it is the keystone in the corporate archway.

Introducing the idea of planning is the first step towards persuading companies to implement management policies designed to contain the impact of disaster, accident or crime.

Market-leader Control Risks Group leaves its prospective clients in no doubt as to the seriousness of contingency planning. Its promotional video strips the issue down to its bare essentials – in the world of capital, the corporate animal is rarely allowed to grow in isolation from the harsh environment of competition. This is nature red in tooth and claw.

Mr Roger Meares, a director of Control Risks Group, accepts the analogy. "The catalogue of disasters in 1987-88 is a huge list of accidents and crimes which directly affected corporations," he says.

"For several reasons, including the ever-growing role of the media, companies find themselves under an unprecedented amount of public scrutiny. They are accountable for mistakes and accidents to such an extent that crisis management has become a significant business area."

Piper Alpha and Zeebruge are recent examples of tragedies which put companies in the spotlight. Contingency planning forces managements to ask themselves how they would react if confronted with a similar catastrophe.

The starting point is to evaluate the worst disaster that could strike a company. What are the chances of it happening and what would be the implications if it did?

"Just asking these questions tends to focus the mind wonderfully," Meares says. Another adviser to corporations who prefers not to be named adds: "You would be amazed how many companies have an 'it couldn't happen to us' attitude."

The head of corporate security for one major food and drink multinational comments: "For us, the beginning of serious planning was the issue of product contamination and extortion. We asked a series of 'What if ...' questions across a gradually widening range of subjects." In this case the range included supplies of raw materials for products, protection of plant and personnel across more than 20 countries and an evaluation of the group's computer centre.

Companies producing consumables, whether food, drink or drugs, are particularly vulnerable to extortion and blackmail. Challenged by an extortionist, a food company faces the prospect of recalling a product, with incalculable damage to public confidence and profits.

In Europe, the tendency to create pan-European brands ahead of the creation of the single market in 1992 makes companies ever more vulnerable. Potential recalls will have to be more than country-wide.

If recent takeover and merger activity has put a premium on brand names, it should also have heightened awareness that precious brands are as much at risk from crime or accident as they are from bids and deals. One worrying statistic quoted by security advisers is that some 25 per cent of problems are caused by disaffected employees or ex-employees.

Mr Martin Langford, director of Burson Marsteller, specialises in the communications implications of crisis management. "Media involvement can turn a problem into a crisis," he says. "Many companies which have their internal operational plans well thought out have absolutely no idea how to cope with the speed and intensity of media response to news."

Admitting the possibility that disaster could happen is the first step towards making contingency plans. Specialist advisers like Control Risks, Integrated Security Services Limited and Burson Marsteller sit down with senior management and assess the company's vulnerability across the range of accident and crime. "We create a matrix of vulnerability," Meares says, "around which the management can assert priorities."

Group security advisers within multinational companies are keen to stress that the liaison between contingency planning staff and senior management must be constant and thorough. One source cites the case of a corporation which set up a committee to introduce ordered planning and failed to include the security adviser.

Contingency planning forces managements to ask themselves how they would react if confronted with a Piper Alpha or Zeebruge disaster

Companies face a hard business decision: whether to adopt a reactive or pro-active approach to contingency planning. The distinction speaks for itself. "Five years ago, reactive planning dominated corporate thinking. The focus here is on gaining or regaining the initiative following a crisis, allocating resources to deal with events as they unfold and ensuring that the business can go on functioning," Meares says.

Advisers like Control Risks put great emphasis on managing crises, in the sense that the company's crisis or incident management team actively takes charge of events.

Burson Marsteller's Mr Langford cites the Johnson & Johnson Tylenol case as an example of a crisis which was well managed. "A drug which had a 35 per cent market share recovered its status within a matter of months after the extortionist had been caught," he says. That case is estimated to have cost J&J upwards of $100m, with additional impact on the company's share price of around $3bn.

In less successful instances, products have taken years to recover or have been abandoned altogether. In the worst cases, notably those of the asbestos company, Manville, and the Dalkon Shield contraceptive maker, A H Robins of the US, both companies were forced out of business.

Pro-active planning is less dynamic, but ultimately more cost effective. It involves the reduction of identified risk in order to avoid the likelihood of accident. It costs more in the short term, but should pay for itself over time. One security adviser put it more bluntly: "It doesn't take much money to plan. It costs a hell of a lot to pick up pieces."

In practice, multinationals undertake a combination of pro-active and reactive planning. Pro-active planning is an ongoing process involving monitoring of information, personnel, systems and trends. Control Risks and others run detailed information services with which clients can monitor risk in various countries. In addition, regular updating of files and systems is crucial.

The initial reaction to a crisis, "the vital hours when things are either contained or allowed to escalate" according to one source, could founder on something as trivial as the fact that a senior director had changed a telephone number without informing the planning department. As Langford says: "Among the key constituencies which need informing of contingency plans are the internal groups - employees, supervisors, plant managers and group managers.

Reactive planning includes realistic simulation of disasters so that contingency plans can be refined or improved. "Managements have to learn how to react in realistic circumstances," Langford says. "It's not much use having a plan if that's all it is."

SECURITY PRINTING

Victims of the equity crash

THE SECURITY printers servicing the City of London were among the main beneficiaries of the financial revolution and bull market of the mid-1980s. They supplied the promotional literature and the negotiable bonds needed to sustain financial expansion.

But the stock market crash of October last year has affected the City printers directly. The volumes of both confidential printing of prospectuses and security printing of negotiable bonds has decreased

"Corporate printing was an extremely good area in which to be competing during the last five to six years," says Mr John White of De la Rue, one of the leading security printing companies in the UK. He says that the market expanded rapidly during that period, and although a number of new companies were attracted to the City printing sector, there was plenty of work for all.

However, since the crash the volume of corporate printing has fallen, a pattern mirrored in other markets, including Tokyo and New York.

"The laws of supply and demand have come into effect. As volume has fallen so have prices," says Brian Hibbitt, managing director of Greenaway Harrison, a subsidiary of the Lonrho Media Group and one of the big four printing houses in the UK.

"A degree of competition has entered the market," Mr Hibbitt says. "Volumes have recovered somewhat because lower stock market prices have encouraged takeovers and several companies are jostling for position in preparation for 1992. But prices are still not up to pre-crash levels."

Mr Hibbitt explains that the industry is extremely cyclical and companies need to be financially robust to bear the troughs.

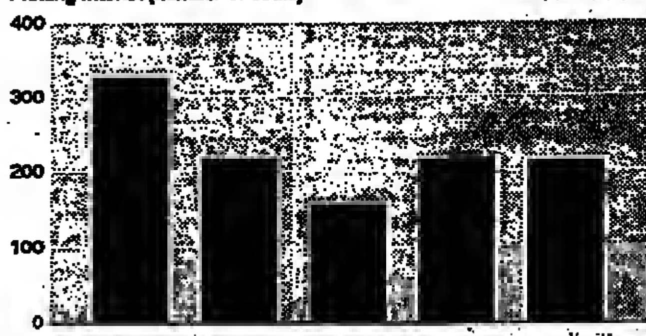
"The big three or four have the strength to weather through," says Mr Bob Hodgson, managing director of Williams Lea. "Some of the companies which entered the market in the mid-1980s have caught a cold. In particular, the smaller printers are having a tight time. Some have even got out of the market."

Mr David Butler, marketing and sales director of Oyez Press, agrees that the market is now much more competitive. "The crash has had an enormous effect on profitability in the corporate printing arena," he says.

"The days when bankers seldom asked for quotations have passed. There are now about 20 companies pitching for contracts. The advertising companies have also hit the market very hard with their design packages," Mr Butler says.

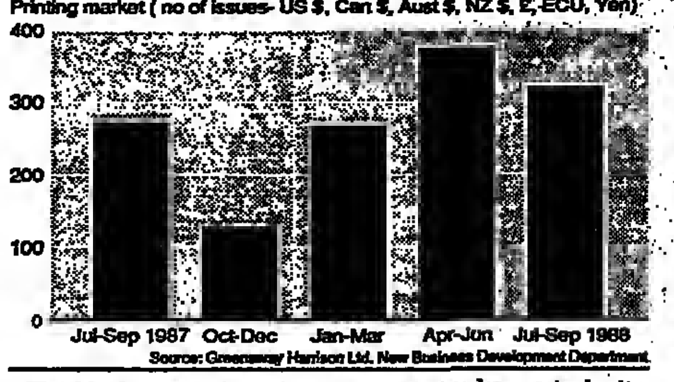
UK corporate finance

Printing market (number of deals)



International corporate finance

Printing market (no of issues- US $, Can $, Aust $, NZ $, £, ECU, Yen)



Source: Greenaway Harrison Ltd, New Business Development Department

The big four security printing companies stress the need for versatility in the new economic environment. All of them have attempted to ensure that they cover a range of markets and are sufficiently diversified to withstand a downturn in one area of the industry.

Greenaway Harrison, for example, has increased the turnover of its reports and accounts business this year by £1.5m. The company also prints HMSO documents such as items for the Royal Household, including orders of service for royal weddings and funerals, seating plans and summer garden party invitations.

Oyez Press prints Hansard, the record of debates in the House of Commons, and the reports of select committees. De la Rue stresses that it remains first and foremost a printer of bank notes, but also prints cheques, passports, airline tickets, credit and cheque cards as well as bearer securities and bonds. Williams Lea also produces credit and cheque guarantee cards.

Most security printing is centred around the London/ New York/Tokyo financial triangle

The companies have attempted to diversify outside the UK. Most security printing is centred around the London/ New York/Tokyo financial triangle. Greenaway Harrison set up an office in Tokyo this year to deal with demand and now offers Kanji character-set printing. Brian Hibbitt says that last year the company produced an annual report for Glaxo in Japanese, and English.

Williams Lea also has an office in Tokyo and affiliates in the US. The company says that it is linked to them by compatible equipment and dedicated lines.

The big four companies distinguish themselves from some of their newer rivals by stressing the importance of quality and the integrity of their services.

That integrity is dependent upon their security procedures and investment in technology. The companies attempt to create a total security environment to ensure the absolute confidentiality of the documents they handle.

The big four use magnetic stripe cards to control access to buildings and secure areas. Central computers are programmed to limit use to certain staff at certain hours. Computers also provide an audit trail to monitor any unusual patterns of behaviour.

De la Rue says that it has tested several biometric access control systems at its printing plants. These check unique characteristics such as fingerprints and the pattern of blood vessels at the back of the eye to ensure the identity of people trying to enter secure areas.

The documents themselves are managed securely. They are split in to a number of different parts and only put together during final compilation. The names of particular companies can be coded and inserted during the final printing stages. The documents can then be delivered in sealed security covers.

Some of the security printers only have one location to reduce risks during transportation. When data have to be transmitted overseas, however, the companies use dedicated lines and avoid public networks where information could be intercepted.

Documents which need to be sent out of the main buildings are stored digitally in algorithms. They are then prepared for transmission by being encrypted. Encrypted information can only be understood when it has been passed through a unique key at either end. The result of such encryption is that even if the whole document is intercepted it would be meaningless.

When a document arrives it is also passed through an authentication program to make sure that the whole document is there and that nothing has been added during transmission.

The security printers also try to create an ethos of security within the companies. In particular, they prize staff confidentiality.

"In the end, a security system is only as good as the personnel who run it," says Mr Hibbitt at Greenaway Harrison. "People are the weak link within security, so it has to be inbred from the start. Good security is a condition of employment."

The company has strict vetting procedures for staff recruitment. The selection process includes conventional interviews with potential employees and a whole day with an industrial psychologist. Retention is also important. Mr Hibbitt says that staff turnover is virtually nil.

At Williams Lea the average employee has comopleted 23 years' service. Any new member of staff is usually only taken on recommendation.

Paul Abrahams

Guarding companies and carrying cash

A suspect deterrent

THE DUTIES of the uniformed guard have changed considerably over the past decade. But the character of the person required for the work has altered little.

"It can be a relatively boring job," says an executive with one of the leading guarding companies. "We want someone who is fairly patient and placid, who can put up with the tedium and yet remain alert. In short, a person who will not improvise but do exactly what he is told."

Most guarding companies still offer a mobile patrolling service, though many admit that it is of minimum deterrence value, and some, such as Thorn, actually advise clients against them. "It's relatively easy for the villain to monitor the movement of patrols, though some companies are still prepared to accept that level of security because of the cost," says Mr John Smith, director of Thorn Security.

"The value of mobile patrols are in ensuring that outlying or subsidiary buildings are safe from a housekeeping point of view; that taps have been turned off, for example," he says.

By far the most common tasks for today's guards are in controlling and monitoring access to buildings, acting, in effect, as a uniformed receptionist. These are the sorts of duties allocated to uniformed guards employed by Thorn working in Department of Trade and Industry buildings. DTI-type work accounts, at present, for 70 per cent of the tasks carried out by Thorn's guards.

Elsewhere, guards, in a central control room on site, can be required to operate access control and intruder detection systems, including CCTV (close circuit TV), PCs, and fire detection and protection equipment.

Thorn was brought in at the design stage of the St Enoch Square development in Glasgow, considered to be one of the prime examples of an integrated system, with all functions controlled by Thorn's guards from a single control room.

The computer centre of one major financial services company is considered by some security experts to be the most fortified site in the country.

It boasts a minimum of five guards on duty during the day, and slightly fewer at night. The first line of defence includes a perimeter fence, with gate-house and a dry moat for anti-car bomb protection. Visitors are only allowed in with a prior appointment. They speak to the guards in the control room through a panel and, once admitted to the site, their movements are monitored until they are met by their host.

They are then issued with an access control card, which is only valid for the period they are expected to be in the building. The company's computer centre itself is screened for radio waves, as well as being bomb proof. The movement of employees within the building is controlled through a card-key system.

There is at least one guard on duty at all times in the control room, one or two patrolling or handling incidents as they arise and dealing with visitors in the reception area and with goods as they arrive, and one guard always in the gatehouse to direct vehicles. Guards on the site work a 42-hour week though the industry norm is 55 hours, largely because of the level of concentration required.

The human factor: although a guard's duties have changed over the years, the basic skills have altered little. Guards should be "patient, placid and never be tempted to improvise"

Like the array of instruments in control rooms, the tools carried by guards as they patrol a site are becoming more sophisticated. Two-way radios are now common; not too long ago the whistle was the norm. The torch and watchman's clock have given way, by and large, to the wand.

The wand is wiped across a magnetic strip and when a guard has passed a certain point on his rounds a message is conveyed through a modem to a PC which then prints out a report, providing useful management information both to the guarding company and its client. One security company is now working on the next generation of tools for guards, which would enable them to be far more pro-active.

However, there are some areas of corporate security where the guarding company is unlikely to be welcome by the client, most noteably in computer fraud, says an executive of a large security company. "But we would expect our guards to observe and report any abnormal behaviour by staff," he says, citing examples such as an employee of a client company consistently returning to the building late at night, or the unauthorised use of a terminal.

"Our clients often define classified information, and insist that if any such information is found lying about the guard should lock it away in the company's security cabinets."

Most guarding companies stress, above all, that the guard's primary role is as a deterrent and that incidents of confrontation between villain and guard are few and far between. Cash carrying and handling companies are very much aware of the possibilities of reducing their exposure to robbery.

Securicor, for example, has minimised the risk of attacks on bank staff and public through its banking support

Continued on Page 4


SECURICOR
BSIA
THE BRITISH SECURITY INDUSTRY ASSOCIATION
HE'S ALSO GOT OUR REPUTATION TO PROTECT.
Last year, Securicor looked after some £60 billion of other people's money.
It is the kind of responsibility which relies on a nationwide, 24-hour network and the very latest technology. But, most of all, it rests on the shoulders of our people.
Securicor operational staff are carefully interviewed. They are thoroughly screened and vetted (a process which goes back over 20 years or to school days, if necessary).
As well as integrity, they are assessed for personality and commitment. (It's no accident that an exceptional number of Securicor staff are promoted from within.)
Not surprisingly, only one applicant in ten is successful. And that is only the start of an intensive training and instruction programme.
The quality of our people does not just give Securicor the edge when it comes to security services.
It is the backbone of a parcels service that you can always rely on to deliver the goods, here and in Europe. It supports cellular and mobile radio communications with 30 years experience riding on them. (It was Securicor who were entrusted with developing the Cellnet system with British Telecom.)
And it is behind Securicor's state-of-the-art office security services and telephone key systems, designed to ensure that our customers won't lose any business.
Technological innovations like Datatrak, Britain's most sophisticated vehicle tracking system, will keep Securicor's name out in front.
But the ultimate test of our reputation is our people. It couldn't be in safer hands.
SECURICOR
SECURITY SERVICES
TAKING CARE OF BUSINESS

Peter Reina on security in new constructions

The integrated approach

CLOSED CIRCUIT TV cameras around the new Broadgate office development in London bave scanned and recorded some the worst antics of so-called lager louts – yuppies given to excessive drinking.

Cameras, some obvious and some as small as a cigarette packet, form part of Broadgate's front-line of defence against intrusion. At any one time about 90 per cent of the development's tenanted western third is said to be under surveillance. When all 14 buildings are completed and occupied 12-cameras will keep vigil.

Electronic patrol monitoring is another aspect of Broadgate's defence. This essentially involves a computer selecting possible beets for security guards to patrol. The guards are allowed a specified time to move from one electronic reporting post to another. An alarm is raised if a guard fails to report on time, ensuring that back-up is quickly available. Patrol monitoring also prevents security guards from cutting corners.

All the TV cameras and patrol points report to a central control building. Security staff now scan just a handful of TV monitors, bnt when tbe development is complete the whole of Broadgate will appear on nearly 60 screens. Fire alarm systems in all the individual offices also report to central control.

The first four Broadgate buildings were designed by Arup Associates several years ago. Mr John Leonard, Arup's security specialist, feels that the development of security hardware is now pausing for breath. "Things are reasonably sophisticated at the moment. I don't see any big jumps. Systems could get cheaper," he says: Mr Ian Grant, of Group 4, agrees.

Safe and sound: security guard with an electronic device designed to help ensure uninterrupted power supplies in buildings. The unit is monitored from a central control room

Software and the rapid growth of personal computers is bringing a great deal more power to the simple card access devices developed to replace the old lock and key.

"At the top end it can send a report to a PC saying somebody has entered at a certain gate and at a certain time. That is the basis of a management report," Mr Grant says. This use of cards is being extended to track personnel within departments in buildings, with obvious management advantages. "On any on-line PC-based system it is done wbether you like it or not. Whether the system is used is up to the client," he says.

Costing from abont £1,000 per door, computer-based card systems are gaining popularity, Mr Grant says. "This is partly because more and more people have a PC on their desks, and partly because the stakes are high," he says.

Most access controls, from keys to cards, still require some kind of manual operation. But now proximity cards, which operate remotely, are winning a market share.

"They are the flavour of the year," Mr Grant says. "They have no greater security benefit, but they are easier to use. In the City of London they are what people are going for."

Card access is also attracting interest at football grounds as a means of gate control. "We have been negotiating with some clubs," says Mr Peter Robinson, a Thorn Security marketing manager. "The technology is off the shelf, but the scale and application is new," he says.

Meanwhile, card controls are being developed away from managing individuals to managing entire buildings. "Access control is becoming a major part of building management systems (BMS)," says Mr Jim Barlow, who heads the control systems division of the Thorn subsidiary JEL Energy Conservation Services.

If access control is integrated with BMS it can switch on and off lights, heating and air conditioning in specific offices as the appropriate employee enters the building. "We can achieve it now but crudely. You will find the technology being introduced in the next two years," he says.

This development is part of a general thrust towards the integration of all building functions within centralised computer control. An example of this approach is the St Enoch shopping development in Glasgow, Scotland. Under a £1.2m contract, JEL is designing and installing a system to monitor and control security and fire systems, as well as all the environmental functions for the entire complex.

"There's a general move led by one or two leading consultants to say that in any large building there is a need for central control," says Mr Chris Hutton-Penman, managing director of Racal-Chubb Security Systems.

But he believes that putting all the systems "on one wire" is not necessarily the best way forward. "PC systems are not expensive these days. Each system can be tailored to meet its particular needs and some can be maintained on standby," he says.

In any event, total integration of building functions is not possible at the moment. British regulations still prevent fire alarms from being run on the same communications system as other building functions. "We connect fire and security systems," Mr Hutton-Penman says. "But we do it on the basis of stand alone".

Mr Barlow sees changes coming. "There is a very serious review of the legislation, most of it concentrating on speed of communications and reaction. There are certain fears which are now being overcome," he says. Mr Robinson believes that "technology is providing some of the answers," while Mr Hutton-Penman expects the rules on fire system integration to be changed in 1990.

A NEW plastic material, able to withstand both fire and diamond drills, will be in the safes that Racal Chubb launches on the European market as the creation of the unified European market in 1992 draws near. The product was developed by Chubb research at Wolverhampton in the English Midlands.

"We want to be number one in technical development," says Mr Laurens van der Steen, a Dutchman, who heads Racal Chubb's European safe businesses.

The company has organised itself on a European basis in preparation for 1992. Another well known company, Group 4, run by a Dane, Mr Jorgen Philip Sorensen, has established a new European headquarters at The Hague.

For companies selling security, 1992 means new opportunities, new competition and new rules of the game – "a lot of competitors would love to know what I was up to," says Mr Derek Langley, Chubb's European managing director for locks.

Committees of business people from all over Europe have been or are being set up to recommend what standards alarm systems, safes, locks and other equipment must reach if they are to be sold in European Community countries after 1992. The approach of the single market has even spawned Eurojargon: Eurosafe (the safe manufacturers), Cenelec (the electronics committee), TC 79 (for alarms) and Arge (locks).

To date Britain's view towards regulating the industry has been relaxed; anyone wishing to set up a security company could do so. This contrasts with the practice on the Continent where such companies are licensed and inspected. Again, the UK leaves it to insurance companies, each with its own requirements, to tell people what safes or alarms they must buy and instal.

According to one product manager, this is resented. She says: "People don't want to buy alarms. They are forced to get one by their insurance company. They buy the cheapest thing on the market which will meet the insurer's requirement and get it installed by a cowboy company that does not know enough about the system. It causes all sorts of false alarms."

European standards

Towards new sector norms

After 1992, it seems, the British customer will have to pay for better services and products. The British and other standards institutions are appointing members to 10 European committees to prepare standards for alarms and access control. Mr David Fletcher, chief executive of the British Security Industry Association, has been busy ensuring that the UK has effective representation on the committees, three of which are chaired by British business people.

One of the practical issues the committees will have to resolve will be the design disparities in like products. In the UK, for example, intruder alarms normally have a four wire cable, one pair operating the alarm if an intruder enters, the other if the cable is cut. On the Continent, one pair of wires serves both purposes. (In 1987 the UK intruder alarm market totalled £158m a rise of slightly under 50 per cent since 1984; the West German market for the same products last year amounted to £187m, up by 50 per cent since 1984.)

Business people are meeting to decide on common industry standards ahead of 1992

Mr Brian Dix, managing director (Europe) for Chubb Electronics, expects multinational customers to welcome unified standards which allow them to deal Europe wide with the same security company. At present there is a cocoon of national standards and protectionism. This, he says, makes it hard for small countries with small markets to develop sophisticated equipment.

Although the gaps between countries are small these will still be painful to close because, despite the aspiration to move towards a European market, there is likely to be a trend by players to base standards on those prevailing in their own country.

This is known as specmanship in the industry: the art of persuading standard setting bodies to specify as standard what has already been developed in a particular country, according to Mr Jamie Justham, marketing director for the Tunstall group. The French and Germans are said to be good at it.

Tunstall is not waiting to see what standards are agreed: it is trying to find out now what will sell in Europe. "We do not regard Europe as a closed market even now," Mr Justham says.

Not all products present Euro-problems. Chubb's fire resistant cabinets are in growing demand for computer data and sell throughout Europe. Safes are a different story. Every country has its own idea of what a safe should be.

The Germans have good testing laboratories but they do not tell anyone what the tests are, so it is hard to know how to pass the test.

In a given safe, a German insurance company will permit between two and three times as much money to be stored as a British insurer would allow. Insurers as well as manufacturers, and some European countries outside the EC, are involved in drawing up common standards for safes.

Mr Rod Bunyan, managing director of the Chubb Safe Equipment company expects a race to quickly produce safes meeting the new requirements. "We want to be all tooled up and ready to go when we know what they are," he says.

Mr Van der Steen of Racal-Chubb expects national markets to continue to exist, for example, for safe deposit lockers, bnt that European standards will enable Chubb's safe factories in Holland, Belgium, Italy and the UK to specialise in different products.

In locks and door closures, European manufacturers got together several years ago and the first recommendations for test standards are expected soon. Mr Langley of Chubb says that locks will still differ: Britain goes for the lever type, Spain for the key in the knob, other European countries for cylinders. But the tests will be the same.

This will not unify the European market because each country has its own distribution networks and brand names, and its architects prescribe what they know.

Mr Langley intends to use some of the money raised by Racal's Vodafone share sale to acquire existing European companies and graft on to them Chubb know-how. Chubb's Lips brand is already the leader in Holland. He expects cheap locks to be imported into Britain and to combat this the company intends to offer a total and reliable security package.

Mr Cliff Williams is managing director of Remsdaq at Shotton, North Wales, a De la Rue subsidiary which provides access control for airports, government buildings and the Cape Canaveral space centre. It is currently working on a system in Holland and is keen to increase its European operations.

There is a natural tendency for each country to prefer to buy home-made equipment.

"After 1992 we will see more competitors on our home soil and they are going to see us on theirs. We like to feel we are as quick on our feet as anyone else. Because of the amount of work we do internationally, we try to keep pace with the most stringent of the various standards," Mr Williams says.

Mr Charles Rice, marketing manager of Group 4, which already has 11 European companies, expects 1992 to allow more freedom of movement across boundaries with valuables and cash. He also expects better pay in Britain for security guards. He says guards enjoy a higher standing in Europe.

The job could, however, become more perilous. Mr Fletcher of the BSIA points out that guards are often armed on the Continent, whicb puts them in greater danger of being shot in a hold-up.

David Spark

Deterrent

Continued from Page 2

services. The company will collect cash and non-cash items from anywhere in the UK, for instance, for a national retail chain, and deliver the items to one of its 60 processing centres. There, the cash is checked and consolidated. Rather than paying any cash reserve into local branches of the retailer's bank, banks are advised to credit the customer's account.

"This not only cuts down on across-the-pavement movements," eays Mr Henry Mackay, of Securicor, which services 7,000 retail outlets, "it reduces banking administration costs, and the time consuming aspects of handling cash as banks look to offer more personal financial services. The ideal is that cash taken by us from retail outlets is recycled into cash dispensers."

Securicor's Cash Serve offers first line maintenance of dispensers, from changing printer roles, ink tapes, unjaming cards and blocked notes and generally cleaning the machines. The company, which reckons to have 90 per cent of the third party replenishment market, carries out just under 2,000 services a week. Even those large companies which are not paying in cash have installed dispensers at their out-of-town sites to enable their employees to draw cash.

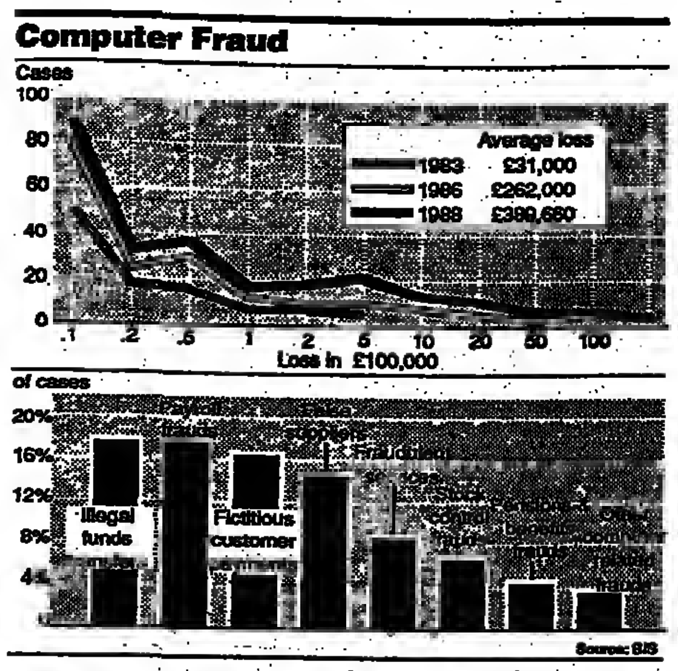
Securicor has also diversified into a five-night a week, high security, nationwide delivery service with 21 major routes. Items carried, which include uncoded cheques, deeds, jewellery and travellers cheques, are placed in a safe tested by Lancashire Fire Board. The company is handling more than 30,000 items a week and has recently built a dedicated exchange terminal.

Whether involved in patrolling, guarding, cash carrying or automatic till machine servicing, the security industry continues to stress the need for high standards. Companies are all too often prepared to put up with a sub-standard service, if only to meet insurance requirements. Cowboy operators often pay their employees sub-standard wages for long hours, and sometimes use guards who have not been properly vetted.

Members of the British Security Industry Association are calling for a system of registration. Only those companies properly registered would be able to set up in business. The association also argues that security companies should also have access to criminal record files.

Alastair Guild

Computer Fraud



Paul Abrahams on moves to protect computer networks

Hey-day for the hackers

"THE NEXT two years are going to be sheer hell for the managers of computer networke," says Mr Rnpert Soames, managing director of GPT Data Systems, a division of GEC Plessy Telecommunications.

"There has been a rapid increase in the number of hacking incidents during recent months. And, in the foreseeable future, hacking won't stop – mainly becanse networked systems remain so easy to penetrate," he says.

Computer networks have become increasingly popular in recent years. The great advantage of networks is that they optimise the performance of computers by allowing them to communicate efficiently with each other.

The benefits of networks – in particular information accessed on all terminals – have been achieved at the cost of the security of data stored within such systems

However, the benefits of networks – and in particular the advantage of allowing information to be generally available to all terminals – have not been achieved without a price. That price is the security of date stored within such systems.

Mr Soames points out that many companies have little idea how valuable the data stored in their computers might be. He says their value lies not merely in their potential worth to competitors, but also the intrinsic value of the information to the company.

He explains that a computer failure or sabotage that results in the loss of the company's accounts records, for example, can be disastrous. Few companies maintain the capacity to run computerised systems on a manual basis after catastrophic failure.

As a result, even for medium-sized companies, computer assisted bankruptcy is not an insignificant risk. Already one large French investment bank has been forced to cease trading after a large compnter fraud. In West Germany, Volkewagen lost £170m through a single compnter assisted crime.

In July this year, Zurich police arrested a man collecting SFr82m (£30.8m) which had been transfered from the City of London branch of the Union Bank of Switzerland. The fraud was only discovered when the normal electronic systeme broke down and transactions were being processed by hand.

As chief executives become increasingly aware of the value of assets stored on computers and alarmed by media scare stories of computer crime, so, Mr Soames argues, the pressure on network managers will be increased.

"The problem is that chief executives will want to know if their company's system is vulnerable," he says. "And the net work manager probably won't dare say it's a silly question."

The difficulty facing computer managers is that few people outside the industry understand the concept of acceptable risk. Complete and absolute security are, in practical ferms, almost impossible.

The difficulties of achieving high levels of security on computer networks are highlighted by the experience of government departments in the UK which deal with particularly sensitive information.

Only now are certain parts of the civil service investing in office antomation equipment becanse, until recently, such systems remained so vulnerable. Moreover, the networks now being installed are expensive and beyond the purchasing power of all but the biggest banks.

The fundamental problem is a relationship between security risk and cost, explains Mr Ken Luck, assistant director of Corporate Security Services, the Essex-based independent consultants recently set up by the International Chamber of Commerce.

Mr Luck says that companies must estimate the value of information stored on a computer before they attempt to assess risk. Once that is done it becomes possible to manage risk. Options available include:

- Avoiding the risk altogether by ceasing the activity that created the risk in the first place.
- Accepting the risk. If the company decides it would not be cost-effective to do anything about the risk and understands that when anything does happen it will have to accept the costs.
- Insuring against the risk. The insurance market for computer crime and disaster, however, is not well developed. Although there are a number of companies providing services, many insurers state that there is at present insufficient information available to make sufficiently accurate assessments.
- Reducing the risk through security measures.

In the short to medium term, this final option can be achieved through the use of a number of devices, operating systems and software packages. These can help at least to reduce the risk of computer crime at a reasonable cost.

The most obvious method of security is physical access control. This attempts to deny intruders the possibility of reaching a computer terminal in the first place.

A major French investment bank has been forced to cease trading after a large computer fraud

At a basic level systems include traditional keys or security guards who patrol the entrances to premises or secure areas. More sophisticated methods incorporate identity cards with magnetic stripes or tokens which are used in conjunction with couplers or proximity readers.

For high-security areas, a new generation of high-cost biometric access control devices are available. These include systems which measure signature dynamics, keyboard rhythm, voice prints, fingerprints, palmprints or even eye retina patterns.

A second level of security can be supplied by computer management systems. Such systems can be contained within basic operating systems

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Patterns in Computer Crime (%)

	1983	1986	1988
Covert sabotage	19	12	13
Theft ofinformation	15	15	16
System penetration	10	18	17
Logic bombs	8	8	9
Overt damage	8	12	10
Theft of equipment	21	25	26
Arson	19	10	9

Source: SIS

Expansion in the access control industry

Diversity the key to growth

THE EUROPEAN access control industry has been one of the most dynamic within the security sector in recent years. Frost & Sullivan, the New York-based analysts, estimate that the European market for access control has been growing at 13 per cent a year since 1985.

However, the industry now faces the twin challenges of adapting to the creation of a unified market in 1992 and adopting new technologies.

Since the early 1980s, the industry has become increasingly rationalised and internationalised, particularly in the sector with old technology such as mechanical locks. Frost & Sullivan expects this trend to continue as companies with strong domestic bases attempt to expand elsewhere in Europe.

"Rationalisation has allowed many of the companies in the traditional security sector in both the US and Europe to become cash cows," says Mr David Marzo, a research analyst with the protection services sector of New York-based Burns Fry Hoare Govett.

Also, companies have been able to exploit rising unemployment and crime rates to generate growth, he says

However, Frost & Sullivan believes that the environment for that profitable rationalisation could be changing – indeed growth in the access control market may soon slow down.

The company points out that markets in most European industrialised countries are now mature – the only exception being Spain. Moreover, unemployment is falling and, although there is no direct correlation between the two, there is a possibility that the crime rate may begin to fall.

If the more established companies in the access control industry are to avoid problems in the future, they will need to expand their prodnct range away from locks, keypads and closed circuit television. Instead they will need to choose and harness new and competing technologies.

Frost & Sullivan says that although locks and keys will remain ideal in some areas biometric systems will replace them as surely as calculators replaced the slide rule.

Biometric systems use the characteristics of individuals to identify them. These characteristics can then be cross-checked against records to ensure that the individual has the right of access to that particular area, building or computer terminal.

Because they are intelligent, biometric systems have advantages over keys, magnetic tokens or passwords which can be passed on to others.

The range of biometric access control systems is vast. They can recognise voices, fingerprints, palmprints, and even the pattern of blood vessels at the back of the retina. All of these characteristics can be converted digitally into algorithms and then stored in a computer. When an individual attempts to enter a controlled area the computer analyses the voice, eye, hand or finger and compares it with its records.

The relevant algorithms can also be stored in smart cards which contain memory and proceseing chips. These are much quicker than conventional systems because there is no need to refer back to the central computer.

Other biometric characteristics used to verify individuals include typing patterns and signatures. Recent programmes are able to recognise as many as 1,000 distinct rhythmic patterns in two seconds of keystrokes.

Signature verification systems can recognise five different variables. Using an electro-magnetic digitiser, they can differentiate x and y co-ordinates, the amount of time for the signature to be signed, the acceleration of the pen, its height when moved from word to word and, finally, the pressure with which it is applied.

However, biometric systems have been accused of being a technological solution looking for a problem. Certainly the growth of the biometric market has not been as rapid as expected, particularly in the area of computer security.

Access control market

West Europe

	$m
1984	697.4
1985	696.8
1986	1,151.1
1987	1,695.9
1988	1,869.7
1989	1,983.68*
1990	2,105.94*
1991	2,237.74*
1992	2,379.85*
1993	2,533.10*

*Forecast

Source: Frost & Sullivan

David Marzo at Burns Fry Hoare Govett estimates that last year only 1,000 verification devices, worth less than $5m, were sold in tha US.

Nevertheless, the contracts which have been concluded have tended to be valuable. For example, De la Rue, the UK-based security company, recently installed an integrated security system at the site of the US space shuttle.

Some security consultants are oot so surprised hy the appareot lack of success of biometric systems so far. Mr Ken Luck, assistant director of Corporate Security Services, an independent consultancy company recently created by the International Chamber of Commerce, says that the technology has outpaced demand.

"The industry has reached the stage where it is developing technological initiatives and expertise and then attempts to apply them, rather than looking at the market, discovering a need and then trying to develop a technology for it," he says.

"It leads to the Picasso syndrome," he explains. "A company attempts to create a certain mystique, thereby creating a sellers market enabling them to charge high fees.

"The client looks at the product and says 'I don't understand it and it's expensive, so it must be good.'"

Mr Luck says that one example of the Picasso syndrome is a fingerprinting system which failed to take in to account the fact that it is almost impossible to read prints of people with dirty hands.

He saye that biometric systems need to find a balance between security and practicality – the procedure needed to scan retinas may, for instance, be unacceptable where the volume of traffic is high.

Manufacturers admit that the biometric industry is still in its infancy and that there are still problems with reliability. Some systems have yet to find a satisfactory security threshold parameter – an acceptable level of both false acceptance rates and false rejection rates. In other words, they have problems finding a balance between a system which is too sensitive and rejects genuine individuals, and a system that is so generous that it lets in non-authorised people.

Nevertheless, despite the difficulties, many small companies are competing with different biometric technologies for an admittedly small market.

Mr Marzo at Burns Fry Hoare Govett says that many of these companies have been under-capitalised and unable to integrate their systems in larger systems. The larger security companies, such as De la Rue, are known to be watching the situation carefully.

At the moment, however, identity cards with magnetic stripes have most of the electronic access control market. Mr Terry Mechan, sales and marketing manager at Remsdaq, a subsidiary of De la Rue, says that such cards have 80 per cent of the market.

Several magnetic stripe aystems, such as that supplied by London-based Bewator, can work with existing credit cards. There has also been a move towards proximity readers which do not require passing the card through a slot. Maoufacturers claim that because there are no moving parts, proximity systems are highly reliable.

An advantage of all of these systems is that they can be used as clocking – in devices as well as to monitor movements within buildings. Linked to a ceotral computer, they can also he nsed to audit movemeots in the case of a security hreach.

Paul Abrahams

Ralph Atkins on the increasing use of listening devices

Eavesdropping: a company bugbear

TWO YEARS ago, Woolworth Holdings, the retailing group, discovered just how easy it was for someone else to tap their telephones.

On October 28, 1986, a bug was found connected to the telephone line outside tha home in Aspley Heath, Bedfordshire, of Mr Peter Hopper, a buying director of Comet, a Woolworth subsidiary.

It was hardly high technology. A small cassette recorder had been buried in a biscuit tin and wrapped in a plastic bag. There was a small automatic mechanism to start and stop the tape so it would record incoming and outgoing calls and a cable linking it with the telephone line. Probably anyone with basic knowledge of the telephone system would have been able to put it together.

The bug's discovery led eventually to the conviction of three men for conspiring to intercept a telephone line. Their trial and fall was a rare victory for the police in the battle against electronic surveillance.

The greyness of existing legislation makes it bard to secure a conviction. The case was thought to be the first ever in Britain involving telephone tapping

Yet all the signs are that eavesdropping on the conversations of company employees – whether legal or illegal – is a growing business. Specialist companies, often one-man operations, are becoming more professional; the advertisments in the trade press are getting more frequent.

On the flip side, the use of companies that sweep premises for listening devices also appears to have become more widespread. The intensity of company takeover activity means there is more highly-confidential information that could provide a small fortune for some if it fell into the wrong hands.

"Nobody is actnally going to admit to finding a great deal," says Mr Richard Potts, director of PLC Consultancy Services in Southampton. But, he added: "There is a lot of it around."

That said, the apparent glamour of electronic spying and counter aspionage that easily captures the imagination of headline writers, may give a misleading impression. In many circumstances electronic eavesdropping is costly and a difficult pecuniary gain.

Mr David Fletcher, chief executive of the British Security Industry Association, says: "For the average corporate

All the signs are that eavesdropping on the conversations of company employees – whether legal or illegal – is now a growing business

security manager things like getting cash in and out of the office sensibly and guarding tbe premises to stop people wandering in and out are much more important than this rather specialised sector."

For someone determined to get information, it may prove easier to walk into an office and steal relevant documents. Talking to employees in pubs or combing waste paper baskets could even prove more fruitful than trying to direct electronic devices to hear the relevant conversations.

Mr Nigel Whittaker, executive director of Woolworth Holdings, described the hugging of Mr Hopper's telephone as "highly unusual".

He said: "There are many more likely areas of security leakage than electronic eavesdropping most of which refer to people or operating systems. But electronic surveillance is one item on a list of perhaps half a dozen."

By current standards, a tape recorder buried in a biscuit tin is a crude device. Modern technology means bugging devices can be much smaller – and more difficult to discover.

The devices themselves, but not necessarily the cost of paying someone to instal them, can be cheap. Prices starting from £30 are not untypical.

Taps on telephones can be inserted into the handset, feeding off its power supply. Others may be attached further down the line or in switchboard rooms. When fitted professionally they are virtually impossible to detect when using the line.

Other bugs use their own hattery power supply, transmitting signals via radio, microwaves or even infra-red. They may be concealed behind walls or elsewhere in board rooms or executive suites. Some look like adaptors for electric plngs, taking their power supply from the mains.

A motive for installing such devices may not always be obvious. "It goes on in areas people don't expect – perhaps junior executives bugging the offices of their seniors or even trade unionists bugging the offices of executives," said Mr Allan McDonagh, director of London-based Network Security Management.

There are at least a dozen established companies in Britain that offer to sweep offices and the homes of executives for listening devices. Others, often one person businesses set up by engineers or former members of the police, undoubtably exist but may have a less reliable reputation.

A complete set of equipment for sweeping a room can cost about £100,000. It is a job for angineers.

"Beware of people who come along with a black box and say they can discover anything," says Mr Nicbolas Vasiadis, senior technical consultant at Communications Audit UK, sister company to Network Security Management.

A complete sweep of an executive suite can take two dsys at a cost of perhaps more than £1,000 while checking an executive's home may take an hour or two. Work is carried out at night or weekends, rednciug the number who know that counter surveillance is being deployed.

Perhaps a less costly solution is to use telephone scramhling equipment. Several companies offer secure telephone systems. The technology can be sophisticated; for example, sophisticated digital voice encryption.

Responsibilities of insurers

Low standards, high risks

IN THE serious business of crime protection, quality does not always take precedence over price, say some security specialists. They believe that insurance companies are not doing enough to encourage their clients to take suitable precautions against crime and, in particular, to choose security systems and services on the basis of quality rather than price.

A year ago Mr David Fletcher, chief executive of the British Security Industry Association, had this to say on the subject: "We would like to see them (insurance companies) insist on higher standards before taking on business. Too often they have the price of a service as a first consideration, believing that if they insist on a service costing more, the customer may go to another insurance company that is not so insistent."

Twelve months on, Mr Fletcher – while admitting there has been some improvement – believes that insurers are still not meeting their responsibilities adequately.

"Yes, insurance companies should do more," he says. "All too often they say that tha insured should take on security – but fail to explain at what level. The role of the insurer is to tell the clients what they should be looking for when acquiring security."

Although insurers offer discounts to household clients who instal security equipment, they are not available to commercial customers. As one insurance underwriter said: "In the commercial sector, security is a requirement of cover rather than an inducement."

One of the main problems, says the BSIA's Mr Fletcher, is that the client often has little or no experience of huying security. "Take the guarding security industry, for example. The decisions are not made by security-conscious people but by finance directors who often look at the options on the table and then take the cheapest quote. In my view this is downright negligent."

Mr Fletcher is pleased, however, that insurance companies are telling clients increasingly that if their security does not come up to scratch they will

Insurers often fail to tell clients what they should be looking for when acquiring security

either charge extra premium or refuse to provide cover altogether.

Mr Bernard Watts, technical services manager at Guardian Royal Exchange and the man responsible for fire, security and safety surveying, admits that his company frequently turns down business because of inadequate security on the part of the insured.

GRE's Watts explains how the insurance companies assess a risk – "an insurance company tries to raise the standard of security to a level at which it is prepared to take on the risk. The larger, more established companies tend to set higher standards than others, but there are those in the insurance market always willing to take a chance on something."

Snch a statement emphasises the concerns of the security industry, namely that because there are insurers prepared to undercut competitors by lowering the standard of security needed to earn insurance coverage, other insurers might be tempted to follow suit to win back business.

Yet, as Mr Ron Hazell of the Association of British Insurers (ABI) is quick to point out, this form of competitive pricing has long been a fact of commercial life, and one that insurance companies have to live with in every line of the business.

Despite the claims of the security industry, the ABI is confident that its members are doing enough to raise standards of security. One thing that deters insurers from cutting corners on quality is the knowledge that if they accept a low standard of security they face a greater chance of having to eventually settle a claim.

"I think the fear of competition does not make insurance companies accept lower standards of security, because in the end it is the insurance company which has to foot the bill," Hazell says.

Both the ABI and the BSIA help set and improve standards of security services and prodncts. The BSIA is currently working with the Committee of London and Scottish Clearing Banks to establish a standard for security vehicle amployees, while representatives of the two associations regularly meet on standards committees, Mr Fletcher says.

The BSIA – the UK's leading security association with 130 member-companies – works hard at keeping its own house in order.

"Wa ask all our members to meet a certain standard as a condition of membership," Mr Fletchar explains. "If they don't, then they're expelled, as was the case with two companies recently." This allows insurers to use BSIA membership as a benchmark of quality when assessing the products and services on offer from the security industry.

The ABI also plays a part in setting standards, demanding, for example, that all on-site inspections by insurance companies are conducted by members of the National Supervisory Council for Intruder Alarms. Guardian Royal Exchange is one company which insists that intruder alarms have to be installed under the supervision of the NCSIA before it underwrites a risk.

Yet Mr Fletcher thinks that not enough on-site inspections are conducted by insurers, primarily because they do not have enough staff. GRE's Bernard Watts admits that he does not always send out a surveyor. "If the risk is too small it becomes uneconomic to survey on-site."

The rule of thumb when buying security remains relatively simple, Mr Fletcher says. Insurers and their clients must never assume that an inexpensive security product necessarily provides adequate security.

"When you buy a car you don't go into a showroom and ask for the cheapest one on offer; you look for the one that meets your specifications." As Mr Fletcher puts it: "If you pay peanuts, you get monkeys."

Patrick Harverson

Hackers' hey-day

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or special software. They limit the level of access of a given user and define whether it is possible for an individual to change, copy, or merely read information.

The risk of gropers – employees who have authorised access to networks and files they should not – is thereby reduced. Individual files can also be encrypted by using suitable software.

Computer management systems can also provide auditing facilities, so that attempts to read restricted files are monitored and flagged.

The risk of unauthorised communications, such as hacking, can also be reduced through a variety of ways. Probably the easiest method is to use devices such as dial back modems. These respond to a successful attempt to access a system by breaking off contact and then reconnecting back to a number predetermined by the successful password. This means that even if a hacker is able to crack a password, the computer will not connect back to the hacker's number.

The damage created by communication interceptions can also be limited by encryption software.

Mr Robert Fletcher, director of Time and Data Systems, the Poole-based supplier of computer security systems, says that the effectiveness of the various methods of reducing the risk of computer crime are lessened if they are not integrated. He adds that it is also necessary to have a security culture which includes personnel management and consistent monitoring of procedures.

However, Mr Rupert Soames at GPT Data Systems says that methods now available commercially are, at best, akin to the medieval chastity belt. They give a certain piece of mind but are uncomfortable and impractical to use, and present little protection.

He says that in time the latest generation of multi-level secure networks now being set up in government and military installations will become commercially available.

These multi-level secure networks allow secure and non-secure applications to run on the same computer. They are now being installed in high-level restricted areas for the first time to be used for office automation.

Nevertheless, despite the limitations of commercially available systems, the European market for data security equipment looks set to grow. Frost & Sullivan, the New-York-based analysts, expect a period of rapid growth, and forecast that the market will grow from $462m in 1985 to $1.7bn by 1992.

At present the largest market for such products is in the UK because of the importance of the financial sector there. The second largest market is in West Germany.

However, until multi-level secure systems do become available, network managers will continue to be pestered by senior managers alarmed by media stories about computer crime.

These will, no doubt, range from the serious, such as the recent attempt to defraud SFr82m (£30.8m) from Union Bank of Switzerland, to the hilarious, such as the story of an inmate of the Mississippi State Penitentiary who is alleged to have gained access to the prison computer system and sold 100,000lb of prison cotton to outside contractors.

Management attitudes to computer crimes